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NEWS SUMMARY

GENERAL

Venice summit row in Commons

Mr. James Callaghan accused Mrs. Thatcher and other EEC leaders of creating "another powderkeg" in the Middle East. The Venice summit's decision to associate the Palestine Liberation Organisation with peace negotiations and to call for Palestinian self-determination had been a serious and mistaken change of policy, said the Opposition leader. In her Commons statement about the summit Mrs. Thatcher said: "The diplomatic activity which the Nine will undertake over the next few months is intended to be complementary to the Camp David process." Page 10

Wooling Hussein

President Carter has pledged to use all his powers of persuasion to draw King Hussein of Jordan into the U.S.-sponsored Middle East peace process when the two meet in Washington today. Page 3

Budget talks

The EEC Council of Ministers will meet representatives of the European Parliament today for talks aimed at securing a budget agreement for the Community by the end of the month. In Luxembourg new attempts opened to negotiate a common fisheries policy. Page 2

Siege death

A siege in Birmingham ended in death when Derek Latham, aged 25, killed himself after keeping police at bay for three hours with a double-barrelled shotgun. The trouble began with an argument about a taxi. Page 3

Transport report

London Transport agreed to publish a highly critical report of its management structure on the same day that it defeated in the High Court a move to make its financial accounts more open to the public. Page 3

Soweto protest

Thousands of black and coloured South African workers stayed away from work on fourth anniversary of the outbreak of Soweto riots. A white policeman was stabbed to death in Cape Town during a baton charge in a black township. Page 3

Talks on islands

Britain and France are to meet this week to discuss the dispute over the New Hebrides. Lord Carrington, the Foreign Secretary, told the Lords he was puzzled by the new over Britain's decision to send marines to the islands. Back Page

Martial law

Syria is to reimpose martial law in its western desert region because of what it sees as a growing threat from the Libyan regime of Col. Muammar Gaddafi. Page 3

Biased opinions

A woman was released from jury service at Croydon, Surrey, because she said she was biased against young people, coloured people, and shops for allowing people to steal from them. Page 3

Briefly

Man was killed and three others were injured by a blast on a grain elevator in Glasgow's dockland.
Murder hunt was launched after Tina Maria Sellers, 18, was found assaulted and strangled in hissing house in Burton-on-Trent.
Doctors advised Barcelona of abandon transfer deal for Trevor Francis of Nottingham Forest because of doubts about his fitness.

CHIEF PRICE CHANGES YESTERDAY

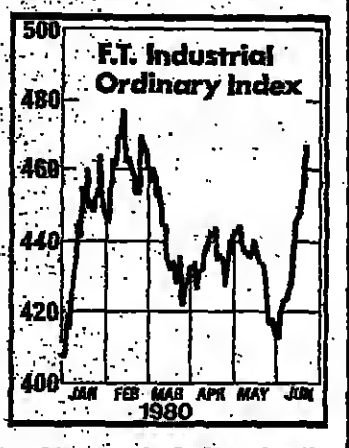
(Prices in pence unless otherwise indicated)

RISER:	Poly Peck	33 + 12
Exch. 134pc 1987 £1000 + 3	Portals	241 + 44
Exch. 134pc 1994	Rural Elec	294 + 10
(£40 pd) 242 + 14	Smiths Ind	208 + 12
Baker Perkins	Stewart Wrightson	218 + 13
Barclays Bank	Thorn EMI	294 + 12
Base	Trusthouse Forte	190 + 11
British Home Stores	Unigate	127 + 7
CEC	Vesper	160 + 25
Chico	WGL	110 + 18
Hambros	RP	380 + 10
Hawker Siddeley	Candacra	180 + 16
ICI	Silkolene	200 + 18
Mercury Secs	Copeng Cons	420 + 35
Midland Bank	Selection Trust	684 + 14
Newmarket	FALLS:	
Northern Foods	Davis (Godfrey)	142 - 11
Pilkington	Lesney	15 - 3
	Sidlaw	96 - 10
	Whitaker M&H	33 - 104
	Venterspost	684 - 31

BUSINESS

Equities up 11.1; Gold off \$12

● **EQUITIES:** the FT 30-share index closed 11.1 up at 467.6.



FT 30-share index closed 11.1 up at 467.6.

● **GILTS:** gains extended to over 2 points and the Government Securities index advanced 1.7 to 69.53. Page 36

● **GOLD:** lost \$12 in London yesterday to close at \$395. Page 29

● **DOLLAR:** improved on firmer Eurodollar rates to DM 1.7660 (DM 1.7555). Its trade-weighted index was 83.1 (83.0). **STERLING:** eased 10 points to \$2.3418, and its index was 73.9 (73.6). Page 29

● **WALL STREET:** was 1.70 up at 477.87 before the close. Page 30

● **IRAN:** has transferred back to Tehran all its gold stocks unaffected by the U.S. freeze on its assets. The Iranian Central Bank has issued instructions for a significant amount of its foreign exchange reserves to be moved back to Britain. Back Page. Other Iran News, Page 3 and 5

● **HIGH-SPENDING:** local authorities could be penalised by millions of pounds a day if brokers refused to place money with them, a senior Stock Exchange member said. Page 7

● **INDUSTRY:** Secretary Sir Keith Joseph acknowledged that financial aid could help encourage worthwhile industrial ventures, in a statement marking a considerable shift in attitude. Back Page 8

● **EX ELECTRIC'S:** group managing director, Gordon Hazzard, has resigned after what he described as "differences in both policy and style". Back Page. Results, Page 22

● **ITALY'S Foreign Trade:** Minister Enrico Manca has called for the hardline on trade with the Soviet Union to be eased. Page 6

LABOUR

● **LESNEY:** Products, makers of Matchbox toys, plans further redundancies and a boardroom reshuffle after announcing a £3.6m loss for 1979 against a profit of £5.1m. Back Page Results, Page 22

● **BRITISH Steel Corporation:** and trade unions have agreed further 870 redundancies at Shotton steel works in North Wales. Page 8

● **INSURANCE:** company Legal and General faces disruption from today after a decision by union delegates to begin industrial action over pay. Page 10

COMPANIES

● **HAMBROS:** the banking and insurance group, lifted after-tax profits for the year from £7.12m to £9.8m and boosted the dividend to 16.5p net (10.924p). Page 22, and Lex, Back Page

● **DAWSON International:** the luxury knitwear and textile products group, raised pre-tax profits for the year by £1.85m to a record £18.4m on turnover of £159.21m (£185.08m). Page 23, and Lex, Back Page

Private stake in £1bn North Sea pipeline planned

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT plans to announce on Thursday the go-ahead for a North Sea gas pipeline network costing between £1bn and £1.5bn. This will be the start of a programme to increase private shareholding in the energy industries.

Under plans being formulated by Mr. David Howell, the Energy Secretary, all the State-owned energy corporations face major changes and, in some cases, loss of monopoly privileges.

British Gas Corporation is to have only a minority stake in the gas-gathering network. More than half the investment, the Government proposes, will be drawn from a consortium of offshore gas producers such as British Petroleum, Shell, Esso and Mobil; major gas-users; and financial institutions. Several potential investors have expressed their willingness to be involved in the project.

An organising committee is to be established to formulate the structure of the new consortium, which will build and operate the 400-mile pipeline system, one of the most ambitious projects undertaken by the offshore oil and gas industry.

The Government hopes that the 36 inch diameter pipeline, linking more than a dozen UK fields, will be in operation by 1984-85.

Although the Government is giving its blessing to a British gas collection system, it has not ruled out the possibility of linking the network with a Norwegian pipeline.

It is understood that BP has prepared outline proposals for a more ambitious pipeline network connecting British and Norwegian fields.

Though British Gas Corporation has told the Government that it would like to be the operator, or lead company, for the UK gas-gathering network, this idea will be accepted by Mr. Howell.

He is already looking at ways of reducing some of the Corporation's interests. Ideas being considered include introduction of private capital into some or all of British Gas's oilfield interests; they include parts of the Beryl, Montrose, Fulmar, and North West Hutton reservoirs.

The Government is considering breaking the Corporation's monopoly right of supply, and allowing big gas-users to arrange their own deals with producers.

The British National Oil Corporation is likely to be the first State energy undertaking to have its structure altered. Mr. Howell is expected to announce within a few weeks changes to be introduced in the next Parliamentary session.

These will include injection of private capital into BNOG and probable splitting of the trading and operating interests.

It is possible that the Government will adopt a hybrid formula for BNOG's capital restructuring, involving both sale of shares and offer of oil savings bonds to small investors.

In the longer term Energy Ministers consider allowing new private electricity companies to compete with a State supply undertaking.

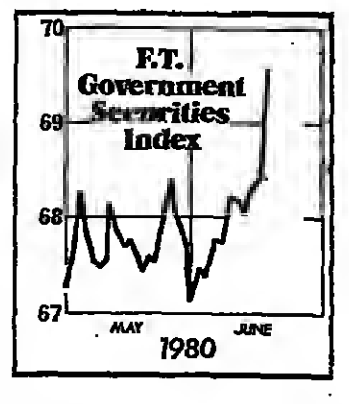
In the meantime the Department is putting finishing touches to a plan that is likely to include closer co-ordination between the Central Electricity Generating Board, the electricity supplier, and the Electricity Council and area boards, the electricity-sellers.

Private capital may also eventually be invited into the whole or part of the National Coal Board's interests.

Under the Coal Bill, which comes before the Commons for a Second Reading today, the Government is setting the Board a target to break even by 1983-84.

In the financial year just ended the NCB broadly broke even only after receiving operational and regional grants totalling £253m.

Oil rig order, Page 8
Editorial Comment Page 20



FT Government Securities Index

New tap stock sells out

By Peter Riddell, Economics Correspondent

GILT-EDGED stocks yesterday showed their biggest single-day rise since last November after the £1bn 1984 tap stock had quickly sold out in the morning.

Brokers reported strong demand, underpinned by better-than-expected trade figures, throughout the day. This led to a rise in short-dated prices of up to £2½ while prices of longer-dated stocks rose by up to £1½.

The result was that the FT Government Securities index rose by 1.17 points to 69.58, its highest level this year. There was also a response in equities, and the FT 30-share index jumped by 11.1 points to 467.6.

Some of the largest gains were in the 1984 stock, which rose £1½ during the day to £42 in its partly-paid form after being sold out at £40.2. A sell-out had seemed likely since late on Friday, and up to £300m in cash, or £750m nominal, may have been sold yesterday.

The main reason for the sharp rise in prices is the hope of an early fall in interest rates. There is no indication yet of any change in the Government's current cautious approach of waiting for clearer evidence of a slowdown in monetary growth before cutting Minimum Lending Rate.

Brokers reported unusually heavy demand from abroad, notably from U.S. banks and institutions, some of which have not previously been active in the London market. This follows the marked fall in bond yields in both the U.S. and the Continent in recent weeks.

It has emphasised the attractions of the relatively high yields on the new issue.

Continued on Back Page
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Editorial Comment Page 20

5 in New York

	June 17	Previous
Spot	162.2455-54.7082, 53.66-53.75	
1 month	11.70-11.80 dis, 11.70-11.85 dis	
3 months	4.54-4.65 dis, 4.52-4.64 dis	
12 months	10.75-10.85 dis, 10.75-10.90 dis	

First trade surplus for ten months

BY DAVID MARSH

BRITAIN'S BALANCE of payments on current account showed a surplus last month for the first time since July 1979.

The current account for the year as a whole is still expected to be in deficit.

But with the onset of recession reducing demand for imports, and higher prices boosting value of North Sea oil exports, the underlying trend has improved substantially in the past few months.

As a result, the Government's forecast of a deficit of £2.75bn for the whole of 1980 now looks too pessimistic.

According to provisional figures published yesterday by the Department of Trade, the current account recorded a seasonally-adjusted surplus of £32m last month, compared with a deficit of £214m in April.

The visible trade deficit was £18m, the lowest since October 1978, compared with £264m in the previous month.

Exports were up, to £3.97bn from £3.85bn, while imports fell to £3.99bn from £4.15bn. Part of the reason for the decline in value of imports was the strength of sterling on invisibles—services, interest, profit and dividend remittances and transfers—is estimated to be running at £50m monthly, slightly down from the level earlier this year.

Britain recorded a deficit of £10m in trade in oil last month, but a surplus of £29m in the three months March to May. This is the first quarter for which this has happened.

The UK has profited from this year's surge in international oil prices by reaping a 19 per cent increase in the average value of North Sea

BALANCE OF PAYMENTS CURRENT ACCOUNT

£m seasonally adjusted

	trade	invisibles	current
1979 1st	-1,586	+420	-1,166
2nd	-486	+129	-357
3rd	-493	+410	-83
4th	-745	+34	-711
1980 1st	-723	+306	-417
Mar.	-176	+102	-74
Apr.	-264	+50	-214
May	-18	+50	+32

Source: Department of Trade

crude oil shipped during March to May, compared with the previous three months.

The price of crude oil imports went up by less, only 14 per cent, reflecting the higher quality of North Sea oil.

A favourable influence on last month's current account was a reduction in the deficit in silver trading to near-balance compared with April's unusually high deficit of nearly £150m.

The steel strike, which ended more than two months ago, is still thought to be having an adverse effect on the trade figures.

This is put at £110m for May, caused largely by iron and steel re-stocking from abroad, as well as lower shipment of these products from the UK while the steel industry works up to normal output levels.

Large movements in silver resulting from this year's speculative fever on the bullion markets have been one of the reasons behind the recent erratic performance of the trade figures.

The Department of Trade Continued on Back Page Table Page 8

Sony sales up 48%

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

SONY CORPORATION, the Japanese electrical company, pushed up the value of its sales by nearly 50 per cent in the first half of the financial year, as business overseas jumped by 71 per cent.

Net profits for the six months to April 30 increased by 342 per cent to ¥34.9bn (£161m), but the comparison is distorted by the effect of the U.S. Federal Accounting Standard guideline applying to foreign currency translations, which more than halved the equivalent figure a year ago. Operating profits rose by 95.6 per cent to ¥67.9bn.

Sales, led by TV sets and video tape recorders, were up 48 per cent at ¥436bn (just over £21m), from ¥294.2bn.

For the full financial year, Sony forecasts that sales will reach ¥850bn, against ¥645.5bn in 1978-79, and net income about ¥60bn (¥17.7bn).

The company expects to sell 2.4m television sets this year against 2.05m last year, with sales of videotape recorders rising from 550,000 to 800,000.

The interim dividend has been raised from ¥12.5 a share to ¥15.

Details, Page 28
Lex Back Page

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Ferranti shares may be split up

BY RICHARD EVANS, LOBBY EDITOR

MINISTERS are believed to be accepting the view that the National Enterprise Board's 50 per cent stake in Ferranti should be offered for general sale rather than in a block to the highest bidder.

The terms of the sale have yet to be decided. An announcement of the Government's intentions could be made by Sir Keith Joseph, the Industry Secretary, in tomorrow's Commons debate on Ferranti.

Some key Ministers and some members of the NEB were known to favour a sale to GEC or another rival group to obtain a premium on the current market price, and to aid the formation of a larger UK electronics group to compete with Continental and multinational rivals.

But there has been growing pressure from within the Government and on the Conservative back benches for a formula to be found to maintain Ferranti's independence and the scale of its organisation and workforce.

A meeting of Ministers involved is expected before the Commons debate. A decision in principle could be made then.

One of the factors in the argument has been the preservation of jobs. Tory MPs are concerned at the prospect of a forced merger, which would inevitably mean rationalisation and loss of employment.

Scottish MPs in particular have been lobbying Ministers for the retention of the company's independence to maintain jobs. The company employs more than 7,000 people in its 10 Scottish factories.

Mr. Michael Marshall, a junior Minister at the Department of Industry, was asked in

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EUROPEAN NEWS

EEC COUNCIL OF MINISTERS LOOKS FOR RECONCILIATION

MEPs' backing sought on budget

BY JOHN WYLES IN BRUSSELS

THE EEC Council of Ministers will meet representatives of the European Parliament today, for a delicate negotiation aimed at securing a constitutionally agreed 1980 budget for the Community by the end of the month.

Since the Parliament unexpectedly rejected the Council's draft 1980 budget last December, a number of major political obstacles have until now prevented any attempt at reconciliation between the Community's two budgetary authorities.

But last month's package settlement of the British budget problem, and agreement on a 5 per cent increase in farm prices, have paved the way for today's meeting. Both sides will be driven by a desire for rapid adoption of a 1980 budget, but neither wishes to make too many sacrifices of principle.

Whatever the outcome however, the Nine's Finance

Ministers will decide later in the day the shape of a draft budget which will be presented to the Parliament in Strasbourg tomorrow.

Essentially, Ministers will be sounding out the parliamentary delegation, led by its President, Mme. Simone Veil, on the possibilities of short-cutting normal procedures so that a 1980 budget could be adopted by the Parliament at a special session to be held in Luxembourg at the end of next week.

Normally, the Parliament amends budget proposals submitted by the Council. The Council then accepts or rejects the amendments before passing the draft back to the Parliament. This procedure could well delay adoption of the budget until well into July.

The original rejection of the budget was prompted by the Council's refusal to accept parliamentary amendments making a token cut in agricultural spending and increasing

by about \$40m regional, social, and other spending.

Although the Parliament demonstrated clearly last month that it has lost any enthusiasm for reform of farm spending, the delegation is expected to argue that the Council should endorse the Commission's proposal to raise non-farm spending by \$245m more than in the rejected budget.

Full endorsement by the Council is, however, unlikely, because the Commission's proposals include provisions for more staff, which member Governments refuse to accept. But Ministers may well be ready to bargain if they believe the parliamentary delegation can deliver swift endorsement of a broadly agreed budget package.

Since December, the Community has been operating under an emergency budget system which is starting to creak under the strain of try-

ing to meet the needs of the farm policy. It has also prevented payment of full expenses to Euro-MPs.

The Commission's draft being considered by the Council today is broadly the same as one tabled in February, but it has been amended to take account of the farm-price settlement and to include \$133m for special spending in the UK. This is an advance on the \$77m to be returned to Britain under last month's agreement and most of which will be made available in the EEC's 1981 budget.

The new draft contains appropriations for commitment totalling \$10.97bn (17,994bn units of account), some 16.6 per cent more than in 1979. Appropriations for payment total \$9.92bn (16,24bn units of account), 12.58 per cent higher than last year. Agriculture will consume 73.4 per cent of all payments, compared with 74.5 per cent in 1979.

French cultural centre for E. Berlin

By Leslie Collitt in East Berlin

FRANCE WILL become the first Western country to establish a cultural centre in East Berlin where East Germans will be able to read French newspapers and publications and books, apart from technical ones, have been forbidden in East Germany.

France and East Germany yesterday signed agreements to set up cultural centres in each other's capitals, as well as signing cultural and consular accords. The two other Western allies in Berlin, the UK and the U.S., already have consular agreements with East Germany, but allied diplomats here are calling the forthcoming "breakthrough" if ordinary East Germans are to be allowed inside.

French diplomats say they would like to set up the cultural centre on Unter den Linden, East Berlin's main boulevard. It is to have a reading room where East Germans will have access to the latest French newspapers and magazines, as well as a library.

French publications in German will also be available as well as information on travel to France, although East Germans who are not of pension age are forbidden to travel to the West.

Nearly all East Germans watch West German television and listen to West German radio, but the lack of anything except Communist reading matter from the West is one of their main complaints. Westerners entering the country are forbidden to take printed matter.

East Germans have to travel to neighbouring Poland to read a West German newspaper or magazine in one of the many public reading rooms in virtually every Polish city and town.

France has enjoyed special favour in East Germany in recent years and their bilateral trade doubled last year to some 1.9bn marks (\$460m). Mr. Jean-François Yonnet, the French Foreign Minister, last summer became the first of the three Western allied Foreign Ministers to visit East Germany and the current agreements are said to have received an impetus from his talks.

East Germany regards France as especially important because of the close Franco-West German relationship and the pro-Moscow French Communist Party.

Khaled in Bonn talks on closer links with Europe

BY ROGER BOYES IN BONN

KING KHALED of Saudi Arabia has begun four days of talks with West German leaders aimed at strengthening Riyadh's ties with Europe.

The visit comes only days after Heads of Government of the European Community called at their Venice meeting for self-determination for the Palestinians. The King's presence here also reaffirms Bonn's wish to improve its links with Arab countries for strategic and economic reasons.

But the timing of the visit has raised the sensitive question of how Bonn can reassure Israel which is bitterly critical of the German role in the EEC declaration on the Middle East.

Officials stress that the West German Government will not go beyond the Venice declaration, which also called for a role for the Palestine Liberation Organisation in the peace process and criticised Israeli settlement policy. It is believed that the Saudis are unlikely to press the Germans to go further. But Chancellor Helmut Schmidt, who is due to meet the King today, nonetheless has to maintain a delicate balance during the visit.

He has tacitly reassured the U.S. that the EEC does not intend to undermine the Camp David peace process initiated by President Jimmy Carter.

He also has to make clear to Israel that Bonn has no intention of giving full recognition to the PLO. At the same time he wants to stress his support for Gulf states in their attempts to take more responsibility for their own security. The last

point is expected to loom large in the talks with King Khaled and also in discussions with President Carter at the West's economic summit in Venice next week and with President Leonid Brezhnev at talks in Moscow on June 30.

Some senior members of the Chancellor's Social Democratic party have expressed concern about the EEC's Venice declaration, on the ground that it goes too far towards accommodating the PLO. More predictably, Herr Franz Josef Strauss, the opposition contender for the Chancellorship at the October elections, has launched an outright attack on the Venice statement.

It is difficult to see how Bonn can stave off further criticism from Israel. Relations are delicate at the best of times, conditioned by memories of the Nazi period. When senior German Ministers visited Riyadh last year, Israeli politicians accused Bonn of structuring its Middle East policy around the need for oil.

Saudi Arabia is West Germany's main supplier of crude and has also provided the Germans with more than DM 3bn (\$723m) in direct credit this year.

Bonn is anxious to develop further bilateral infrastructure deals with Saudi Arabia.

Germany is Riyadh's third most important supplier after the U.S. and Japan, and sold DM 4.4bn worth of goods to the Saudis last year. Saudi exports to Germany, overwhelmingly crude oil, rose by over 40 per cent to DM 8.7bn.



King Khaled (left) with President Carl Carstens of West Germany on his arrival in Bonn yesterday.

Switzerland's trade deficit widens further to £174m

BY JOHN WICKS IN ZURICH

THE SWISS trade gap widened further last month to Swfr 669.3m (£174m), double the deficit in May of last year. While actual foreign trade volumes were down over the year, price increases led to a 13.1 per cent rise in overall import values and one of 5.2 per cent for exports.

The terms of trade continued to deteriorate, import prices having gone up by as much as 38.1 per cent in an annual comparison and those for exports by only eight per cent.

For the first five months of 1980, Switzerland recorded a foreign trade deficit in visible goods of Swfr 5.2bn (£1.35bn). This compares with Swfr 4.7bn (£1.23bn) for the whole of last year.

Industrial production, however, rose by 9 per cent in the first quarter, compared with a

year ago. All industrial sectors played a part, with particularly sharp growth rates of 15 per cent for the leather, rubber and plastics products, 11 per cent each for chemicals and 10 per cent for the machine-building and wood-working industries.

At the same time, employment fell last month to the lowest level since April, 1975. Some 5,705 people, 0.2 per cent of the workforce, are out of work. This is 40 per cent down on May last year and much less than half of the total situation vacant.

The continuing rise in production and shortage of manpower is confirmed in the latest report of the Government's Commission for Economic Studies. This forecasts a further increase in orders and output with a greater strain on the labour market.

Ministers strive to meet fish policy deadline

BY MARGARET VAN HATTEN IN LUXEMBOURG

MINISTERS responsible for fisheries policy, met here yesterday to pick up the threads of the European Community's long-standing fisheries dispute in the hope of meeting the year-end deadline set by Foreign Ministers last month for concluding a foreign fisheries policy. But, although it is understood that the EEC Commission will present its 1980 quota proposals next month in an attempt to focus the discussion, there was little early sign of progress.

Britain repeated its well-rehearsed argument that since

60 per cent of EEC waters come within the UK's 200-mile limit, it has a right to most of the Community's fish. There could be no agreement on fishing quotas until the question of access to "British" waters was settled.

West Germany, however, insisted that the deadline set by Ministers was a mere statement of intent and had to be met. Although the West Germans have a secondary interest in fishing in Community waters, they are anxious to reach an internal settlement so that

agreements with third countries, such as Canada, can be concluded.

The Commission has proposed that Canada be given preferential access to EEC markets for an extra 8,000 tonnes of frozen cod a year, on top of the 10,000 tonnes already provided for in CATT. This is almost four times as much as the EEC was originally prepared to offer and has been increased in response to a Canadian offer to allow the Community to increase by 38 per cent its catch in Canadian waters.

The problem is that most of the Canadian cod would come

to the already depressed UK market, while most of the extra Canadian fish on offer would be caught by West German fishermen.

However, the Canadian problem is secondary to that of access to UK waters where British opposition to French and Danish claims has blocked progress for nearly four years. Yesterday's Council was not expected to make much progress on this point, merely to reopen doors so that Ministers can get down to the detail at the next Council, scheduled for next month.

Multinationals may be forced to reveal more

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

ALL NON-EEC multinational companies operating in Europe would be required to disclose detailed financial and other operational information to their employees under draft EEC legislation which is being considered at the European Commission. The initiative, which has been launched by Mr. Henk Vredling, the Social Affairs Commissioner, is expected to be presented in draft form before the end of July.

The Commission's objective is to translate into legal form many of the voluntary provisions contained in the OECD's disclosure guidelines for multinational companies issued in 1976. It is also partly based on work in this area by the

United Nations Centre for Transnational Corporations and the International Labour Organisation.

A memorandum prepared by Commission officials, titled "Information and Consultation of Workers in Enterprises Operating in Several Member States", says the various voluntary initiatives have failed to achieve the desired level of information for workers.

"Transparency will not be achieved, nor can workers be certain they will be informed of the operations of the enterprise as a whole... unless compliance is made compulsory and more precise rules laid down."

The memorandum says that

an EEC directive could "ensure workers the right to information and consultation on questions concerning the enterprise as a whole, regardless of the location of its head office (even outside the Community), without thereby disturbing existing legislative systems, or placing unreasonable burdens on the enterprises themselves."

The areas of information for disclosure are listed as: the enterprise's economic and financial position, production and sales trends, investment and production programmes, rationalisation schemes, introduction of new methods of work, and other procedures that could substantially affect workers' interests.

The memorandum states specifically that no new rules

would be imposed on national companies, but would be aimed at multinationals "which, from outside a member state or the Community, can impose certain far-reaching decisions but do not enable their subsidiaries to inform and consult the workers in the way required of purely national firms."

There is a possibility that the proposals may be altered to apply equally to multinationals based inside and outside the EEC. Viscount Etienne Davignon, the EEC Commissioner whose portfolio covers industrial policy and company law, is said to be concerned that the rules should not discriminate between multinational and national companies.

Sheik Yamani on four-day Norway visit

OSLO—Sheikh Ahmad Zaki Yamani, the Saudi-Arabian Oil Minister and key OPEC leader, arrived yesterday for a four-day visit to Norway, including two days of talks with Mr. Bjartmar Gjerde, the Oil and Energy Minister, and other Cabinet Ministers. He will have an audience with King Olav today. Talks with Prime Minister Odvar Nordli are scheduled for tomorrow.

The Saudi Minister will also visit Statoil, the Norwegian state oil company, in Stavanger tomorrow afternoon, and will watch the construction of a giant concrete offshore oil rig. He flies to north Norway on Thursday, hoping to experience the midnight sun. AP-DJ

Key Dutch wage deals agreed

BY CHARLES BATCHELOR IN AMSTERDAM

THREE LARGE Dutch multinational companies have reached wage agreements with the unions which are likely to set the trend for the rest of the industry. Royal Dutch Shell, Philips and the steel group Hoogovens have agreed two-year contracts restoring automatic price commissions which is banned under current wage controls.

The accords grant, on average, increases of about 2 per cent for the 24-month period, excluding price compensation. This is expected to add about 6 per cent a year to wages.

The unions have been pressing for two-year agreements, rather than the traditional one-year contracts, in order to obtain benefits for their members not possible under the

wage curbs. They are also anxious to pre-empt any decision by the Government to extend the controls for a second year into 1981.

The contracts take account of the wage curbs until they expire at the end of December but then allow more generous increases. The curbs restrict the gross increase in wages to Fl 26 (\$5.70) a month for each employee. A company's total wage bill may not rise more than 0.75 per cent.

The most important element in the new deals is the restoration of the twice yearly compensation for increases in the cost of living. The companies have also allowed, to varying degrees, extra money for heavy or unpleasant work. Hoogovens, which employs 26,500 people in

the Netherlands, has given an extra day's holiday and reduced the age for voluntary early retirement.

Union members have imposed conditions on the final acceptance of some of the agreements. Philips, the largest private employer in the country, with 82,000 workers, is to review its job classification system, while Royal Dutch Shell, with 19,000 workers, will carry out a study of its shift system.

Dutch Shell has resisted pressure for a five-shift system which would reduce employees' hours. The unions won an important principle last month when the Mobil oil group agreed to five-shift working at its Amsterdam refinery after a four-week strike.

Paris airport cleaners go back to work

By David White in Paris

THE SECOND of two long labour conflicts involving immigrant workers in Paris ended at the weekend when cleaners at France's Charles de Gaulle airport returned to work on the promise of a 22 per cent wage increase.

The airport cleaners are to receive FF 2,500 (\$290) a month from October, and dismissed workers are to be reinstated. But union leaders warned that they might be back on strike in a few months' time since there was no provision for further increases to keep up with the cost of living.

Campo's dead industries look to Gibraltar for new life

BY ROBERT GRAHAM, RECENTLY IN LA LINEA

THE SOLE signs of life at the closed gates on the Spanish side of the frontier with Gibraltar are two Guardia Civil officers and a man squatting on a battered motorbike.

"The gates will open soon," the motorbike man says knowledgeably. He then offers a range of contraband goods that have found their way across the frontier to La Linea. When the frontier opens, business will return "like the old days," he says. A crowd of 2,000 gathered at the frontier at the beginning of this month, when rumours went round that the gates would be unlocked.

La Linea and the bay area, known as the Campo, used to depend on the Rock for their livelihood. Since the closure of the frontier on June 8, 1969, the Spanish Government has attempted to relieve this dependence. Yet its policies have been so badly conceived and poorly executed that the malnourished Campo and its seven municipalities is once again an open frontier.

Its closure meant the immediate loss of 4,800 jobs inside Gibraltar. Worse, La Linea had grown by providing fresh fruit, vegetables and meat to Gibraltar and bars, restaurants and brothels to the British Servicemen there. Within a year of the closure, La Linea's population had dropped by almost a third to 52,000.

From the start, the Franco Government regarded La Linea's

new economic base as more a question of national honour than of serious development. New jobs were guaranteed through grant schemes and a stamp was issued with a special Pta 0.5 tax to raise funds for affected families.

The Campo was promised its own airport to offset the loss of tourists from Gibraltar. Despite a formal cabinet decision in 1973, only a few meteorological soundings were taken, according to the mayor of nearby San Roque, Sr. Eduardo Lopez Gil. La Linea was promised a new fishing port and a marina; nothing further than preliminary infrastructure has been built. The government promised to connect La Linea with San Roque and Algeciras by rail, some 10 kilometres of track were built in the early 1970s but no train has ever used the line. Just before the frontier was closed, a huge stadium, which could seat over half La Linea's population, was completed. A few months later, the Spanish national football team was brought down amid much publicity for a match against Finland. Since then the stadium has fallen into disrepair because La Linea's municipality cannot afford to keep it up.

The municipality is so poor that twice recently it has been stretched to pay its own employees. Last October, all the major political parties and trades unions backed a one-day general strike to draw attention

to the plight of La Linea and the string of broken government promises. Unemployment had risen to 20 per cent of the active population.

In less than 10 years, La Linea and the Campo has become an industrial graveyard. The biggest casualty is Crivianis; its five huge cranes hang sadly unused on 35 hectares of expensive reclaimed land. Attracted to the Campo by tax holidays and investment incentives offered by the Government, Crivianis was to build Liquefied Natural Gas tankers, and floating liquefaction plants, on new technology developed by a Basque engineer, Sr. Jose Mannel Sendagorta. It was to create some 3,000 jobs and service factories were set up nearby in anticipation of work. Crivianis hoped to capitalise on growing world demand for LNG carriers and tied itself to Kalininga, a project in southern Iran, which would sell LNG to Europe, the U.S. and Japan. Crivianis never built a tanker and went into temporary receivership in September, 1978. The service factories never operated.

Crivianis collapsed partly because Iran decided to stop all gas export projects. But no small Spanish company had ever attempted to carry out a project that required massive financial backing. Although the project received full government backing in 1972, successive governments balked at its



financial needs.

On the main industrial estate at La Linea, only one in 10 of the plants are operating. The rest are overgrown with weeds or are empty shells. These include a textile plant once employing 1,500 workers, a small steelworks and a packaging plant. According to a long-time local resident, some were never serious investments. "Companies took advantage of investment grants but left the plants empty, putting the machinery into existing

UK awaits Spanish move on blockade

BRITAIN IS still waiting for Spain to say when it will lift the blockade on Gibraltar, writes David Tonge. The two countries had agreed to complete preparations by June 1, and Britain expects to see the issue solved before allowing Spain to join the EEC.

Sr. Marcelino Oreja, the Spanish Foreign Minister, said last week that, for its part, Spain might not want to join NATO until progress had been made on Gibraltar. But the fragility of the present Spanish Government means that on both Gibraltar and NATO it is treading warily.

factories elsewhere," he said.

According to the Mayor of Algeciras, Sr. Francisco Esteban, some Pta 3.5bn (£22m) has been invested on unused land in the area as a whole, he says. In Algeciras, only 10 per cent of the projects planned for an industrial zone have been installed. The town itself is still awaiting a ring road that was promised in 1973.

Even those industries, such as the Cepsa petrochemical plants, which have proved

successful have created problems. The wages and work conditions of Cepsa employees cannot be matched by other employers, and there have been strikes for parity.

The Campo's industry has also ruined the once beautiful Bay of Algeciras and its prospects for tourism. The bay water is filthy and a pall of pollution hangs in the air or shrouds the top of the Rock.

Algeciras has profited from the closing of the frontier. Its population has almost doubled in 11 years to 100,000. Because of a sharp upturn in the number of visitors to the Spanish duty-free enclave of Ceuta, across the straits in North Africa, and to and from Morocco, Algeciras now handles 4m passengers and 500,000 vehicles a year. The reopening of the Suez Canal and increased Middle Eastern trade have also boosted the port.

But the town's development has been speculative and incoherent. There is too much costly housing and too many facilities which cannot be used, like a kidney unit at the hospital which has never opened because of lack of staff.

The principal hope now is that the opening of the frontier with Gibraltar will force Madrid to rethink the future of the Campo. A study has been made of new super sport and the Mayor of San Roque is promoting a scheme to establish a bilingual English-Spanish university. He has contacted Keele

University in the UK. There is talk of enlarging the Gibraltar airport and of attracting tourists to the bottom end of the Costa del Sol and to the undeveloped Atlantic coast near Tarifa.

But the Spanish Government will do its best to prevent a return to the situation before the frontier was closed, least of all a massive new trade in duty-free goods flowing through Gibraltar. Equally, the Campo's industry will hinder tourism as industry is hampered by poor communications with the Spanish hinterland.

Without new road and rail links, including probably a new road through the mountains to Cordoba, the Campo remains isolated.

Administration and finance are still confused. With the exception of San Roque, all the Campo's municipalities are in deficit and short of funds. Algeciras cannot tax its profitable part to cover municipal services. All decisions have to be referred to the local provincial capital in Cadix before going on to Madrid. And Andalusian autonomy, if it is accepted, would be run from Seville.

The Gibraltar issue is being used as a lever to establish a new and separate province or region exclusively for the Campo. But no one can agree whether Gibraltar or Algeciras should be its capital. And the plan excludes anything that the Gibraltarians themselves may wish to see happen.

Comecon meets as economic gloom gathers

PRIME MINISTERS and economic experts from Comecon, the 10-nation Communist bloc economic grouping, meet in Prague today both to look back on the problems of the current five-year plan, which ends in December, and to discuss economic co-ordination over the next five years.

Such summit meetings are an annual event. Besides trade, they discuss the kind of economic assistance which the Soviet Union and its East European partners are obliged to supply to the non-European members of the grouping: Mongolia, Cuba and Vietnam.

This year, further economic aid to Afghanistan, as well as to the Soviet Union's other client states in Africa and Asia, is also expected to come under review. As is usual at such top-level meetings, most of the staff work has been done and most of the detailed trade negotiations have already taken place. The main pre-occupation of the non-Soviet members is to ensure they receive as much Soviet oil, gas and raw materials as possible on an exchange basis which leaves as wide a margin as possible for the satisfaction of both domestic needs and hard currency markets.

Vital deliveries

The Soviet Union, on the other hand, is eager to obtain as much as it can in return for its vital deliveries. The economies of countries like Czechoslovakia, Hungary and East Germany are in many ways more advanced and sophisticated than that of the Soviet Union itself and are capable of supplying relatively high quality industrial and consumer goods. The importance of such an "in house" source of supply has been increased by the Western trade and financial restrictions imposed, however halfheartedly, in the wake of the Soviet invasion of Afghanistan.

Under these circumstances, the Soviet Union's under strong internal pressure to step up imports from its East European partners and to demand a higher contribution by its partners to the economies of its Third World client states.

Against this, however, Moscow has to reckon with increasing dissatisfaction in Eastern Europe in the face of a continuing deterioration in the terms of trade. This has led to lower growth and obliged all the countries of Eastern Europe to reduce investment and warm of further austerity ahead.

Last year was Comecon's worst ever. Gross national income, the Socialist countries' equivalent to GNP, rose by only 2.5 per cent, half the 1978 growth figure and well below original targets.

Revised targets

Most Comecon countries will end the current five-year plan period with performance 30 per cent and more below target. Only East Germany has come close to its target, but in any case, have repeatedly revised downward.

Over the next five-year plan, targets will be more modest as Comecon grapples with higher energy prices and an external debt already in excess of \$65bn (£27.8bn) and still rising.

Upt to now, Comecon as a whole, and the Soviet Union in particular, has been much less agile than the mixed economies of the West in adjusting to straightforward circumstances. Until recently the Communist countries were able to blot out the prospect of continuing, if relatively small, improvements in living standards together with stable prices and full employment.

These benefits can no longer be guaranteed. Living standards are not likely to increase much over the next five-year plan period, particularly if East-West tension and pressure for higher military spending continues. These are economic and political realities which underlie this week's meeting in Prague. They represent a major challenge to what has proved an inflexible, non-innovative and wasteful economic system which, by attempting to plan everything, has institutionalised technological backwardness and proved vulnerable to economic forces beyond its control.

Energy talks

A CONFERENCE on textiles and building materials as aids to energy-saving will be held at the Shirley Institute, Manchester, on October 21. Papers will be given on comfort of clothing in terms of warmth and in power transmission, and on thermal insulation properties of buildings and materials.

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Iran oil industry facing trouble over pay cuts

By Andrew Whitley in Abadan

IRAN'S VITAL oil and petrochemical industries are facing serious labour troubles as a result of a Government decision to cut almost all allowances and extra payments to State employees. The decision will cut take-home pay by more than half in many cases.

Mr. Farvaz Shahideh, general manager of the Abadan refinery, said yesterday that he was expecting considerable difficulties in persuading his 17,500 employees to accept the new terms. But the refinery's problems are much less than in other State companies where much higher bonuses were given as overtime payments are normal.

At the Iran-Japan Petrochemical Company at Bandar Mahshahr, workers have become used to receiving up to 12 hours overtime a day at 195 per cent of the standard wage level. This is now being cut out, along with severe reductions in travel, housing and other allowances.

Negotiations to introduce the changes are at an early stage. Already there has been a sharp reaction at the LIPC complex from a workforce which has been idle for the past 15 months.

Soviet Union shuns Islamic mission

By David Housego

BOTH THE Soviet Union and the Babrak Karmal regime in Kabul are cold-shouldering the negotiating mission on Afghanistan set up last month by the Islamic conference though they have not formally ruled out contacts with it.

This is the impression formed by the three-man mission, composed of the Foreign Ministers of Pakistan and Iran and the conference's secretary general, in their initial soundings on seeking a political solution that would embrace a Russian withdrawal.

Mr. Akhbar Shabli, the Pakistani Foreign Minister, will be having talks in London today with Lord Carrington, the Foreign Secretary, and Mrs. Thatcher to compare notes on the European and Islamic assessment of Russia's intentions and the situation in south-west Asia.

The mission approached the Russians through the Soviet ambassador in Paris to see whether it might visit Moscow. The Russians said, however, that the answer would depend on the outcome of talks the mission had with the Kabul Government.

But the terms in which the Russians condemned the mandate of the mission—a withdrawal of Russian troops—a freely chosen government in Afghanistan and guarantees for the country's sovereignty—have

been taken as a sign that the Kabul regime may be unwilling to meet the mission. The Soviet Union said the mission was "notorious".

If that is the case the mission will meet in Geneva, a nominated spokesman of the Afghan insurgents said. Such an occasion would formally recognise the insurgents as a party to the conflict, although its official purpose would be to consult them on the terms for a ceasefire.

The Russians want recognition of the Babrak Karmal regime, which has been ruled out by the Islamic conference, and direct talks with Pakistan and Iran.

It is clear that if the mission fails, blame for the breakdown will be placed firmly on the Russians at an extraordinary session of the Islamic conference to be held in New York in September to coincide with a meeting of the United Nations General Assembly.

Mr. Akhbar Shabli will hold his talks with the British Government after an extensive tour that has included consultations with Iran, Romania and West Germany. He is evidently convinced that the Russians are determined on a hard line policy both in Afghanistan and in diplomatic negotiations about its future.

Afghan rebel activity reported at low ebb

NEW DELHI — Afghan Government forces backed by Soviet troops appear to have crushed minor guerrilla activity in the mountains north-west of Kabul.

M. Jacques Buob, of the French Magazine, l'Express, who has visited the area, said in the Indian capital yesterday that Soviet troops had been trying to flush out insurgents from the Paghman mountain range and this had led to clashes over the past two weeks. The clashes were minor and there had been no real fighting.

M. Buob said he visited the town of Paghman last week and saw no evidence that a battle had been waged. The town was normal and there were no soldiers in sight. Another European traveller said he was in Paghman last weekend and had heard nothing about a major

rebel offensive. Western reports of a fierce battle appeared baseless.

Conflicting reports have emerged of fighting in the Paghman mountains and of guerrillas encroaching to within eight miles of the Afghan capital. Indian Press reports spoke of Soviet aircraft and artillery cutting a wide swathe of devastation through the mountains.

Soviet troops were also reported to have deployed a ring of steel around Kabul but diplomats dismissed as fantasy suggestions that rebels were preparing to attack the city.

M. Buob said sporadic shooting was heard last week in the capital. "It appeared mostly to be gun battles between rival factions of the ruling People's Democratic Party," Reuters

Mrs Gandhi raises train fares and freight rates

By K. K. Sharma in New Delhi

ANOTHER INDICATION of Mrs. Indira Gandhi's willingness to take unpopular decisions to restore India's economy came yesterday when passenger fares and freight charges for Indian railways were increased sharply.

Fares have been raised from between 5 and 20 per cent according to class and a surcharge of 15 per cent has been imposed on all freight. This will produce a surplus budget for the Government-owned railways for the first time in many years.

Coming just two days before the Government's first full budget, the decision suggests that Mrs. Gandhi is now ready to take urgent economic decisions. Last week, the pre-budget economic survey admitted that gross national product had fallen by 3 per cent in 1979-80 because of lower agricultural and industrial production. Sub-

sides are expected to be slashed in the budget on Wednesday.

About 10 days ago, Mrs. Gandhi raised the prices of petroleum products and fertilisers. That suggested that the government was willing to improve the profitability of the public sector even though it might affect the interests of farmers who are the bulk of the population.

Meanwhile, the public sector Oil and Natural Gas Commission has submitted a proposal for the expansion of the offshore Bombay High oilfield involving an investment of 3,700 rupees, (about £200m), according to Mr. Veerendra Pathi, Minister of Petroleum.

This will raise the production of crude from Bombay High from the present 5m tonnes to 12m tonnes a year by the middle of 1982.

Stay-away protest on Soweto riot anniversary

By Quentin Peel in Johannesburg

THOUSANDS OF black and coloured (mixed race) workers stayed away from work in South Africa yesterday, and shops were closed, to mark the 4th anniversary of the outbreak of the Soweto riots. There were clashes between stone-throwing youths and riot police in several parts of the country.

In Cape Town, the major centre of action, a white policeman was stabbed to death late on Sunday during a baton charge in a black township. But although shops and factories reported a mass stay-away early yesterday, some workers turned up later.

There were no serious attempts to organise a similar protest in Johannesburg and the Witwatersrand, but there were sporadic clashes between police and black youths in Soweto itself. In Bloemfontein, a dispersed group of youths with tear gas after they had stoned buses. In Durban tear gas was also used after a bus and an oil tanker were stoned.

The disturbances followed a government ban on all forms of commemoration and protest meetings—but the ban appears to be effective in preventing any major confrontation and a wide-spread work stoppage.

The stay-away in the Cape follows several weeks of community action in both coloured and black townships, including a boycott of classes by school pupils, a bus boycott in protest at fare increases, and a boycott of red meat in support of a strike by workers in the meat industry. The bus boycott aggravated the stay-away yesterday, because some workers were delayed in going to work, rather than deliberately staying at home.

The position in many townships remained tense last night, and there is a danger that any of the clashes with police could blow up into a bigger confrontation. However, there also seems to be a desire both on the part of the police and many in the black community to avoid any repeat of the 1976 tragedy.

Some church services were held, but sermons were low-key. Earlier Bishop Desmond Tutu, General Secretary of the South African Council of Churches, criticised the ban on meetings, saying it was comparable with a ban on the Day of the Covenant—the day when Afrikaners celebrate a victory over the Zulu people.

Business and Apartheid, Page 21

Machel chooses new coinage

By Bernard Simon in Johannesburg

MOZAMBIQUE is unexpectedly introducing a new currency this week, as announced by President Samora Machel in Maputo at the weekend. Details of the new currency are sparse and South African banks have suspended transactions with Mozambique until more information can be obtained.

The new currency will be known as the metical, divided into 100 centavos. The metical's exchange rate against other currencies has not yet been disclosed although bankers think that it will have the same value as the escudo which it is replacing.

The official exchange rate for escudos has been about 28 to the U.S. dollar, but strict exchange controls have prompted a thriving black market.

Mr. Machel said that the introduction of the metical was aimed at "assuring the successful implementation of socialism in Mozambique." Observers point out that large amounts of escudos have been smuggled out of the country by the thousands of Portuguese who have left since Independence. The new currency may be an attempt to make these balances worthless.

The changeover to the metical is taking place over a period of three days, ending tomorrow. Mr. Machel said that the country's borders would be closed during this time, but South African Airways said that its scheduled flight to Maputo operated as normal yesterday.

U.S. Fed chief visits Peking

PEKING — Mr. Paul Volcker, chairman of the U.S. Federal Reserve Board, has arrived in Peking for discussions with officials of the People's Bank of China on monetary and financial issues of mutual interest.

An official at the U.S. embassy in Peking said the two sides were not expecting to reach any agreements, but would discuss the general operation of their respective organisations, which both operate as national central banks.

Mr. Volcker's trip is a return visit for one made to the U.S. in late April by Li Baohua, president of the People's Bank of China. The Fed chairman is due to leave Peking for a provincial tour on Wednesday before returning home via Tokyo, AP.

OVERSEAS NEWS

Hussein tries to broaden U.S. view of Mideast

PRESIDENT JIMMY CARTER has pledged to use all his powers of persuasion to draw King Hussein of Jordan into the U.S.-sponsored Middle East peace process when the two men meet in Washington today for the first time in more than two years.

For his part the King will almost certainly be trying to persuade Mr. Carter to move away from the Camp David formula and to find a new basis that would involve all the so-called conflict states and the Soviet Union.

Jordan feels the American attitude that promoted the Camp David approach to peace, is "simplistic" in the words of its Prime Minister, Mr. Abdul Hamid Sharaf. He is the King's key foreign policy adviser and is accompanying him in Washington.

The King is angry that in the eyes of the West the Camp David framework shifted pressure onto Jordan by making it appear to be the obstacle to peace because of its refusal to join the Egyptian-Israeli talks.

Jordanian anger, however, is tempered by the King's 28 years of experience as a Head of State. King Hussein will be trying to see whether there is enough flexibility—the Arabs would call it statesmanship—in Washington to judge the Camp David talks towards a broad set of negotiating principles, such as were embodied in the European Community's statement in Venice at the end of last week.

The vast gulf that separates the two leaders means that at best the talks might mark some easing of the two-year chill in relations between formerly friendly countries. But with President Carter seeking to defend his one major foreign policy success in an election year and King Hussein deeply

By Roger Matthews in Cairo, Rami Khouri in Amman and Ihsan Hijazi in Beirut

disturbed by the growing Arab radicalisation that he sees arising from the Egyptian-Israeli peace treaty, it will be remarkable if anything more can be achieved.

King Hussein has already been raising warning signals for those who wanted to see. Since Camp David he has moved Jordan significantly closer to radical Iraq, but partially mended some of his bridges with the Palestine Liberation Organisation and is hinting at closer ties with the Soviet Union.

As a small country surrounded by powerful neighbours, heavily dependent on external financial assistance, and with over half its population owing first allegiance to a dreamed-of Palestinian state rather than the Hashemite monarchy, the authorities in

Amman have little option but to remain close to the mainstream of Arab politics.

That mainstream is now more than ever convinced that Camp David was a disaster for the Arab world because Israel never intended that it should be anything more than a means of neutralising Egypt, its most militarily powerful Arab neighbour.

The subsequent failure of the Palestinian autonomy talks and the alarming descent into violence on the West Bank and Gaza Strip is of most immediate concern to King Hussein, who fears that the reverberations of such explosions could be felt in Jordan.

He is therefore particularly anxious not to provide further ammunition for his more radical opponents who have already criticised his trip to the U.S. But as the one leader in the Middle East who is always working assiduously for consensus, King Hussein obviously felt it important both to let President Carter know of his



King Hussein: angered by West's view of Jordan's role.

concerns and to find out whether there might be any shift in U.S. policy later this year.

The King had proposed an international conference on the Middle East within a UN framework which would uphold the right of Palestinians to self-determination and Israel's right to exist.

If the U.S. would endorse his proposal, Hussein is ready to bring before the next Arab summit conference a motion in favour of Arab readiness to accept Israel's right to exist within secure and recognised borders. This would be conditional on Israeli withdrawal from Arab territory occupied in 1967 and on Israeli agreement to discuss Arab sovereignty in east Jerusalem.

The Arab summit is set for November in Amman and Arab Foreign Ministers will be meeting in the same place in July to make the arrangements. Arab diplomats say the King already has Saudi support.

The announcement that the U.S., Egypt and Israel have agreed to resume autonomy negotiations may have short-circuited the monarch's talks in Washington. But the value of the talks may lie in setting the stage for a Jordanian role if and when the Begin government is replaced in Israel by the labour alignment.

King Hussein is engaged in a delicate balancing act between the radical and moderate wings of the Arab world.

As if to emphasise the delicacy of his position as middleman, the King plans to go to Moscow after his trip to Washington.

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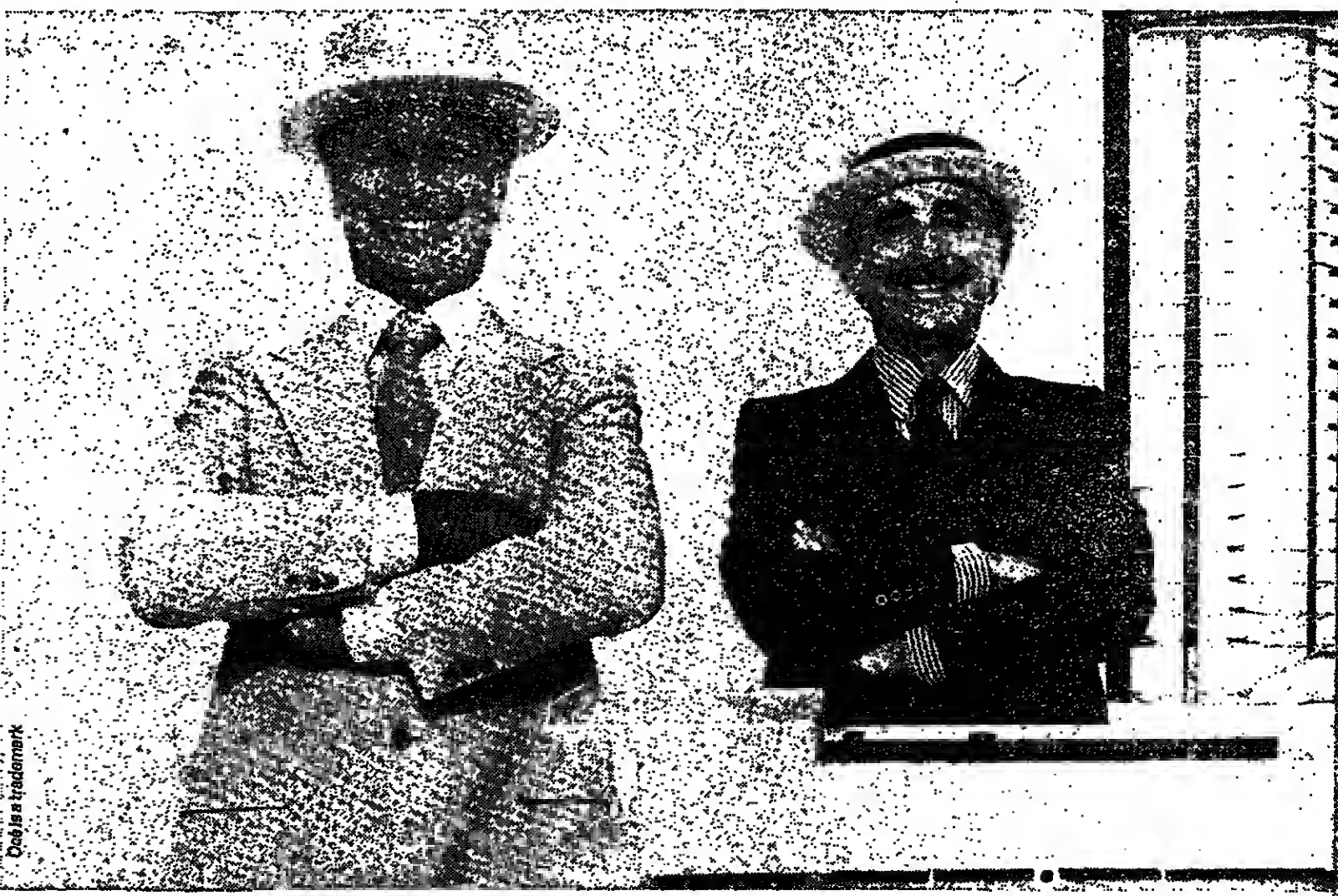
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AMERICAN NEWS

David Buchan reports on political wrath over the Federal Trade Commission

FTC regulators fight on two fronts

A spring tide of congressional wrath has just washed over the Federal Trade Commission, the longest regulatory arm of government in the U.S. economy. The Commission's edifice still stands. But twice this year Congress, in pique, briefly shut the Commission down by cutting off its money. The erosion of some of the FTC's anti-trust and consumer protection powers was signed into law in May in the "FTC Improvements Act of 1980."

Mr. Michael Pertschuk, the FTC chairman, says his agency is still a fighting force. Despite its pruning by the Capitol Hill lobbyists, it will not "duck the issues" because of political pressures. But Mr. Alfred Dougherty, who is resigning at the end of this month as chief of the FTC's Competition Bureau, reckons Congress may have compromised the commission fatally.

The arm of the FTC extends from foreign companies, who must run an FTC gauntlet in taking over American concerns, to U.S. opticians who might seek to keep the prices of their spectacles hidden from prying FTC eyes. The commission's 1914 charter requires it to police "unfair methods of competition" and "unfair or deceptive acts or practices" that harm consumers.

Few sectors of the U.S. economy are closed to the FTC banks and financial institutions is one and the penalties it can seek either directly in the courts or before its own administrative judges are considerable. In a monopoly case, it can order one firm to sell another. Violation of any one of its consumer protection rules can expose the culprit to a fine of \$10,000 a day.

With such powers, the FTC was bound to be a target of an "anti-regulatory" mood that has been welling up in the U.S. Some say its source is the anti-

consumer policies of the Nixon Administration, others that it has been swelled by the success of tax-cutting initiatives in the late 1970s, it is a reaction to Government interference or is the product of new business think-tanks at U.S. universities, whose faculties have taken on more "Friedmanite" economists.

Equally, the translation of many associates of Mr. Ralph Nader into jobs in the Carter Administration has weakened the consumer lobby outside Government. In this election year, Mr. Ronald Reagan and the Republicans preach the need for less Government interference. So, in a fainter echo, does the Carter Administration with its policies of "de-regulating" the airlines, trucking and much else.

The present economic slump, too, provides the arguments for those concerned with "supply-side" economics. They claim that America should be left alone by Washington agencies to produce itself out of recession and inflation.

In fact, the 1980 Act specifically restricts only one element of the FTC's competition policy. It cannot cancel the trademark of a product on the grounds that it has become so widespread as to be generic. This stemmed from the FTC's bid to cancel the Formica Company's trademark name because it felt consumers were paying up to \$5m a year too much for Formica's plastic tiles, when cheaper substitutes were available.

The FTC's move aroused the ire of two Congressmen from New Jersey and Ohio, who Formica has its plants—and they got the ban written in. Congress has clearly given the agency a warning that it may return to the attack on this front, and Mr. Dougherty claims this amounts to intolerable political intimidation. He is shortly off to

study competition policy in Europe on an EEC Commission grant.

The doughy Mr. Dougherty, a firebrand in many of the FTC's critics and some of his associates believes the Commission has an important role, alongside the Justice Department.

It is not just that two policemen on the anti-trust beat "help to assure that one of the cops will be at the right place at the

term, subject to approval by the Senate. While they may be of no particular political persuasion, no more than three may be of the same political party. Their terms are staggered to maintain continuity of experience.

Working for them is a large staff of 210 lawyers, whose energies are mainly devoted to investigation and litigation in anti-trust cases, and also to remedying consumer protection abuses and producing analyses of different sectors.

The Federal Trade Commission is among the oldest of the several dozen U.S. agencies appointed to watch over businesses and industries in the public interest. The U.S. usually creates a semi-autonomous body to govern an area, such as occupational safety, which in most European countries would be the responsibility of the civil service.

Each of the FTC's five commissioners is appointed by the President to a seven-year

right time." The Justice Department can only prosecute most offences under the Sherman (Price Fixing and Monopolies) and the Clayton (Mergers and Acquisitions in Restraint of Trade) Acts. But business malpractices have grown far more complex since those Acts were passed before World War I and Mr. Dougherty claims the FTC is skilled enough in economic analysis and has refined anti-trust law to deal with these malpractices.

This week the FTC went to court charging the Ethyl Corporation, Dupont and two other companies with a form of price-fixing. The four are not accused of indulging in any formal conspiracy, but in playing "follow-my-leader" in setting the prices of the petrol anti-knock lead additives they sell. The remedy, the FTC believes, is that the companies should

not be allowed to signal price changes far in advance, thus permitting others to match them.

Environmental controls have killed the market for these lead additives. So why pick on them. The FTC claims the fact that falling sales have not led to price cutting may be evidence of collusion. Mr. Dougherty says his interest is "to send signals to the rest of industry so that they will change their

behaviour, or be more cautious, as the result of a test case. Two industries he had in mind are cars and steel.

The FTC has a case in hand against Exxon for its planned takeover of the Reliance Electric Motor Company, on the grounds that the oil company would otherwise have itself gone into this sector and created competition, and a host of monopoly or shared-monopoly cases against such companies as Kellogg, General Foods and General Mills, Dupont and ITT-Continental.

This is an ambitious number of cases. The recent bid to stop British American Tobacco taking over Applin Papers also shows no handling to political pressure. The FTC contends the combine would result in a near monopoly of carbonless paper. But BAT also owns Brown and Williamson, the Kentucky

behaviour, or be more cautious, as the result of a test case. Two industries he had in mind are cars and steel.

Failure to reach a new agreement by June 30, he said, could result in a price set by Ottawa and retaliation by Alberta.

If Alberta raised its price without an interim agreement, "We would have to assess whether we should not invoke the Petroleum Administration Act."

That is the law which gives the power to the Federal Government to fix prices.

Alberta has threatened to invoke its own law giving it the power to restrict production if it is not satisfied with the proposed price.

The Liberal Government's most recent proposal—rejected by Alberta—is virtually identical to the price scheme included in the former Conservative Government's December budget which was defeated.

The Tory proposal, initiated but never formally signed by Alberta, called for a C\$2 a barrel increase for oil on July 1 and 30 cents per cubic metre for natural gas on August 1.

The Federal Government's most recent proposal was to come to an interim agreement, to be replaced on October 1 after further negotiations with the provinces produced a long-term oil pricing package. This proposal has also been rejected by Alberta.

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Mr. Marc Lalonde, the Canadian Energy Minister, has warned that if an oil pricing agreement is not reached between the Federal Government and Alberta by the end of this month, Ottawa may unilaterally fix prices.

The current agreement on oil prices between Ottawa and the province expires on June 30. The domestic price stands at C\$14.75 (\$5.49) a barrel. Both sides want the price to rise to near world levels, and the Federal Government is under pressure from oil-consuming provinces to let it rise more slowly than Alberta wants.

Mr. Lalonde said yesterday he hoped that meetings with Alberta scheduled to start tomorrow would produce a compromise. The province has 85 per cent of Canada's proven reserves of oil and gas.

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World Bank's soft loans 'in jeopardy'

BY DAVID BUCHAN IN WASHINGTON

THE CARTER Administration has cut off Americans wanted to make good the damage on the U.S. contribution to the World Bank, but without prompt action, new soft loan commitments to the poorest developing countries will stop on July 1, according to Mr. Robert McNamara, the bank's president.

All of the richer countries except the U.S. have agreed to a \$12bn replenishment of funds to the International Development Association (IDA), an arm of the World Bank, to lend on soft terms to poor developing countries for the three years starting July 1, 1980.

But Congress has not yet approved the U.S. share, around 30 per cent of the total, and until it does because of an agreed formula which makes IDA replenishment dependent on the U.S., the IDA cannot make new loan commitments.

In a rare Press conference, five days after he announced his resignation next summer, Mr. McNamara praised the Carter Administration for providing the strongest support for the World Bank on Capitol Hill that it had had in his 12 years as the bank's president.

The Administration even recently persuaded Mr. Paul Volcker, chairman of the Federal Reserve, to testify in the bank's cause before Congress—the first time a U.S. Central Bank governor had done this in 12 years.

But Mr. McNamara conceded U.S. public opinion was running strongly against foreign aid—a recent Gallup poll showed 84 per cent of Americans wanted to cut it.

Another battle with Congress, however, has been crucially important. Implications will come over the U.S. share—around 22 per cent of a \$40bn capital increase for the World Bank, bank officials expect. World Bank loans now outstanding total \$240bn and may not exceed \$400bn in capital land retained in the replenishment of funds.

The first growth in World Bank lending will lead the institution to bump up against its \$41bn ceiling on total loans in the mid-1980s, according to Mr. Eugene Rotberg, the bank's chief financial officer.

He said at the weekend that the bank had just borrowed \$100m for the first time in several years—\$500m in the European market. In the coming fiscal year, the bank would borrow another \$450m, divided between Swiss francs, yen, Deutsche Marks and dollars.

World bank profits for the fiscal year ending this June 30, will be in the \$500-\$600m range, Mr. Rotberg estimated, and as usual will be ploughed back to subsidise loans. The rise in profit from \$487m in 1978-79, was largely because the bank had succeeded in borrowing cheaply, he said.

But the rise in interest rates means that later this month the bank will be considering raising the rate of its standard project loans to developing countries from the current 8.25 per cent to 9.25 per cent. The bank board is due to make a decision on this next week.

Most of the paper will centre on stock market news and prices, but there will be some sport and other features, including the crossword from the London Times.

There is an open market for a newspaper carrying closing prices but previous ventures to exploit it have failed, mainly because the stock exchange's decision to put back the closing bell from 3.30 pm to 4.00 pm in 1974 made printing and delivery schedules impossible.

The publishers hope to get 15,000 copies out with the 3 pm stock prices, and another 30,000 copies with the closing prices, for a total run of 45,000. The first editions will be available for early home-goers at 4 pm, and the later one at about 5 pm.

The man behind the project, 42-year-old Mr. Michael Goldstein, says that delivery is crucial. He has made dummy runs using all kinds of transport, from helicopters and vans, to bicycles and subway trains. But in the end he settled for roads, despite the traffic, because the more exotic forms proved unreliable.

However, New York publishing history is littered with failed ventures. The most recent was The Trib, a morning newspaper launched in early 1976 which closed after three months.

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Ford Granada 2.3GL	£8023
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Audi 100L 5S	£6690
Renault 20TS	£6668
Volvo 244DL	£6274

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Let's assume the year is now 1984.

Four years ago you bought a new Volvo 244DL. At the time it seemed a pretty good bet.

In terms of performance and space there was little to choose between the Volvo and its rivals, give or take a few seconds and inches.

In terms of equipment the Volvo couldn't be faulted; headlamp wash-wipers, a tachometer, a heated driver's seat and 4 inertia-reel seat belts all came as standard.

And the Volvo did cost substantially less.

Looking back to 1980, do you still believe you made the right choice?

Well, if all the surveys by motoring magazines and consumer organisations hold true, you will have no regrets.

Time and time again the Volvo has come out as having fewer breakdowns than the average car, fewer major faults and fewer days off the road.

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WORLD TRADE NEWS

Japan-Soviet steel pipe talks break down

By Richard C. Hanson in Tokyo

THE ALREADY long-delayed negotiations between Japan and the Soviet Union for the sale of large diameter steel pipe, believed to be worth \$350m (£148m) have broken down over the interest rates the Export and Import Bank of Japan wants to charge on a loan to finance the deal.

A Japanese negotiating team, including both Exim Bank officials and representatives of the steel industry, returned to Tokyo over the weekend after rejecting a Soviet request to lower interest rates on the loan to the same level as on a similar pipe contract loan obtained from West Germany.

The Soviet Union is also believed to be asking for an adjustment in the price of the steel pipe, to be used in a Siberian natural gas project. The contract price was set in January denominated in yen, which has appreciated rapidly over the past two months.

Earlier this year, following the Soviet invasion of Afghanistan, talks on the Exim Bank loan were suspended while the Japanese Government debated whether to include the pipe shipments in a package of economic sanctions sought by the U.S. A decision was made to allow the loan to go through after it became apparent the West German Government had given its indirect approval of a large pipe sale by extending a guarantee to cover the export.

The Japanese interest rate for Exim Bank loans is above the OECD guideline on such official trade financing. The West Germans offered lower rates through private channels which do not adhere to OECD rules.

Four major Japanese steel companies, led by Nippon Steel, have agreed to ship 350,000 tonnes of pipe during the first half of the fiscal year starting in April. A similar volume would likely be agreed to for the second half and the Exim Bank (plus private bank) loans would cover the full year's shipments.

The loans reportedly would be for about \$350m, with the Exim Bank providing more than half.

Italy seeks easier line on Russia

BY CHRISTOPHER SOBINSKI IN WARSAW

ITALY'S present hard line on trade with the Soviet Union is hurting the Italian industry and some \$250m worth of contracts with the Soviets are being held up because of Italian export credit restrictions, according to Sig. Enrico Manca, the Italian Foreign Trade Minister.

Sig. Manca, in Poland for a three-day visit, said in an interview that "Italy should develop commercial relations with Eastern Europe and the Soviet Union anew."

Sig. Manca noted that following the Soviet invasion of Afghanistan "Italy was among those Western countries which acted most rigorously against the Soviet Union," and, he added, "in contrast to others who acted differently."

Italy, for example, did not renew Government export credit lines to the Soviet Union which expired at the end of last year, and this was affecting deals in the chemical and engineering sectors which were arranged before the invasion. But now Sig. Manca says that, without condoning the Soviet action, "the economic dialogue with the Soviet Union should begin."

He expressed the hope that the export credit problem "will be solved in time" and that private contacts with Soviet officials on the issue were continuing.

Meanwhile Sig. Manca yesterday signed agreements here, extending \$184m worth of Italian export credit to Poland. Some \$60m is tied to exports of steel products, \$80m to export

of textiles and chemicals and another \$64m is to go on imports of industrial machinery and equipment.

The five-year credit is to be taken up in the years 1980 to 1982 and carries an interest rate of 8 per cent. Another credit line, this time over five years in duration and valued at \$180m, is still being negotiated with the Poles.

Italian exports to Poland in 1979 were \$380m, while Polish exports last year reached \$450m.

Although they have not been as successful as their East European counterparts, agreements have been reached in principle on the expansion of overall trade and of Iranian land and sea entry points from the Soviet Union.

In April, when the last round of negotiations in Tehran on the gas price broke down, Iran was still sticking to its position that the price should be raised five-fold from 76 U.S. cents per

1,000 cubic feet to \$3.80. The Soviet Union, in turn, refused to go beyond \$2.66, a difference which amounts to \$417m a year when the pipeline, Isat-1 is operating at full capacity.

Soviet doubts about the future viability of the scheme are believed to concentrate also on the low level of Iran's present oil output, which generates only half as much gas as is needed to meet the terms of the old deal with Moscow.

Many countries would like to receive as much Mexican crude as Pemex is willing to supply in order to reduce their dependence upon the volatile Middle East.

If Mexico is to really have success in this trade policy then it may have to increase oil production higher than it wants and thereby fall into the very trap which it is anxious to avoid

clients are capitalist countries. While good will may exist to increase investment in Mexico, Governments are not in a position to force their private industry to establish joint ventures in Mexico.

Third, as Mexico has decided not to join GATT its major trade partners—all of whom belong to GATT—might not be able to make a special case for Mexico and reduce tariffs without extending the same terms to other GATT countries.

It is understood that Mexico has not asked for tariff preferences, but is concentrating on encouraging inward investment, especially in the capital goods sector.

On the oil level problem there are signs of greater flexibility. According to a Commerce Ministry adviser closely involved in the GATT issue, Pemex will have a margin of about 400,000 to 500,000 b/d by the end of the year of uncommitted exports, and these will go to those countries which must fall in line with Mexico's policy.

Currently 1.1m b/d exports are committed. On the basis of 2.7m b/d production, of which Mexico would consume about 1.2m, this leaves 400,000 b/d uncommitted.

To emphasise this point the official said that Canada could well have been granted a 100,000 b/d commitment during President Torres Portillo's visit, instead of 50,000 b/d, if it had come up with proposals to help Mexico build up a pulp industry.

As regards its trade with the developing world, Mexico is trying to breathe new life into the Latin American Free Trade Association (LAFTA), which will meet for 11 days in Acapulco from June 18.

Mexico's idea is to seek complementary agreements to establish industries in Latin America which would reduce the continent's dependence upon imports.

At the same time the Government has stated that it will continue its policy of trade liberalisation by substituting import licences with tariffs which will be gradually reduced. However, the 1980 products remaining which need licences represent 60 per cent of Mexico's imports.

In such a climate Mexico's codified manufacturing industries are unlikely to feel the pinch to become very competitive.

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● NEWS ANALYSIS—WILLIAM HALL LOOKS AT THE PORT OF LIVERPOOL



**LLOYDS
BANK**

LLOYDS BANK LIMITED

UK NEWS

Mexico orders £12m UK drill rig

By William Hall, Shipping Correspondent

BRITAIN'S ONLY jack-up drilling rig-builder, UTE Shipbuilding (Scotland), has won an order for a £16.5m (\$38m) drilling rig for a large Mexican drilling company, Perforaciones Marinas de Golfo (Permagol).

The order will help remove the uncertainty over the future of the Clyde-side rig-builder which used to be owned by Marathon Shipbuilders. At the end of April the French-owned Union Industrielle et d'Entreprise, took over the yard.

UTE Shipbuilding launched its latest jack-up drilling rig yesterday for Salpam AG. The new order is for a similarly designed rig.

Since the French takeover, the yard's workforce, which is relatively old, has been reduced from 980 to about 740.

The contract, due for delivery in July 1981, will provide continuity of work for 14 months.

The yard still hopes for orders for North Sea work, in line with its declared policy of diversification. These would include the contract for a platform for the Brae oil and gas field.

Leukaemia treatment 'may strain NHS cash'

By David Fishlock, Science Editor

SUCCESS IN treating the cancer which causes leukaemia is threatening to be a financial embarrassment to the National Health Service.

This is the conclusion of a report from the Office of Health Economics, think-tank of the British pharmaceutical industry, which estimates the cost of a bone marrow transplant for a leukaemia patient at £5,000-£8,000.

In addition, the patient requires preparatory treatment costing £5,000-£10,000 before he is ready for the operation.

British hospitals are treating about 50 patients a year, but the OHE estimates the demand at 300-500 operations a year. Demand will be still higher if problems of tissue matching can be overcome.

The NHS spends about £500m a year on cancer treatment. Of this, about £15m is spent on leukaemia patients.

The OHE suggests the Health Department should exercise more direct control over the use of NHS resources for expensive treatments, including heart and kidney transplants.

● **Leukaemia: towards control.** OHE Paper No. 68. Office of Health Economics, 162 Regent Street, London W1R 6DD. 60p.

London Transport will publish criticisms

By RAYMOND HUGHES AND LYNTON McLAINE

LONDON TRANSPORT agreed yesterday to publish a highly critical report of its management structure, on the same day that it defeated in the High Court a move to make its financial accounts more open to public scrutiny.

The LT executive was forced to back down from its refusal to publish the report, by PA International Management Consultants, after Sir Horace Cutler, Leader of the Greater London Council, told Mr. Ralph Bennett, London Transport chairman, in a letter that he had "no choice" but to publish.

Mr. Bennett responded by immediately agreeing to publish the report in full today. In the court case, caused by an attempt by the Department of the Environment to make London Transport accounts open to scrutiny, Mr. Justice Whitford upheld the executive's argument that the system of auditing its accounts should be changed to one which could be three times more expensive.

The judge said that it might

or might not be desirable that LT's accounts be audited on a different basis, for the sake of public accountability, but that could not be achieved by the "rather fanciful" interpretation of an Act of Parliament put forward by the Department.

The way in which LT's accounts should be audited had been laid down by the Transport (London) Act, 1969, said the judge. The accounts had been audited for 10 years by Deloitte, and nobody questioned those audits.

However, the Department had decided that the position had been changed by the 1972 Local Government Act, as a result of which, it claimed, LT's accounts should be put on the same footing as those of local authorities.

An audit under the 1972 Act would mean that there must be a far more detailed investigation of the accounts with, at least on the face of it, a possibility for inquiry by local government electors.

London Transport said that while that might be appropriate for a local authority, it would not be for a body such as itself.

Its principal objection was that an audit under the 1972 Act would be three times as costly as the existing system, which said the judge "undoubtedly have repercussions in an organisation which finds difficulty in keeping costs down."

London Transport Executive was a body appointed by the GLC, and carried out functions not dissimilar from those carried out by other local authorities, who frequently made arrangements for public transport, the Department contended.

The judge said that London Transport could not in any way be compared with the type of public bodies listed in the 1972 Act.

He granted it a declaration that its accounts should continue to be audited in accordance with the 1969 Act.

Minister urges 'atoms for peace'

By DAVID FISHLOCK, SCIENCE EDITOR

NO LONG-TERM strategy for meeting Britain's energy needs was possible without using nuclear power, Mr. Norman Lamont, Energy Minister, told an international conference on the future of nuclear energy in Stockholm today.

Britain's fossil fuel reserves were insufficient to safeguard it against energy crises in the future, he said.

In a vigorous defence of the merits of nuclear energy, he urged the international nuclear industry to revive its earlier slogan of "atoms for peace."

From the 1950s, Britain would again become an importer of energy, he forecast.

It was spending heavily on nuclear energy because this was a proven source of energy. There was no guarantee that "throwing money" at the renewable sources of energy would solve their problems.

Nuclear energy could play a crucial role in reducing the threats to world peace from present international dependence on Middle East oil supplies and from the throttling of Third World ambitions by the high cost of oil.

But Mr. Lamont described

allegations that the British Government was concentrating exclusively on nuclear energy as "a gross distortion of the truth." Its long-term energy strategy was based on the use of coal, on conservation and on nuclear energy—the so-called "co-co-nuke policy."

The UK nuclear and electricity supply industries deserved more credit for their safety record than they have sometimes received," he referred to the loss of 130 lives in the recent Alexander Keilland oil platform accident, and said he wondered whether public reaction to their deaths would have been as short-lived had it been a nuclear accident.

For Britain, the decision to build a pressurised water reactor power station was a step of considerable significance. However, given the preponderance of PWRs throughout the rest of the Western world, we believe it could be unwise not to have this option in the UK. The international spread of PWRs means that a wealth of research and know-how is available, not least on safety matters.

Britain's PWR plans had been criticised as a crash programme.

But France, Germany and Japan "could well have nuclear programmes in operation in the late 1980s that are as large or larger than we shall have in the year 2000."

Mr. Lamont said those who opposed it failed to realise what a "very considerable potential" was nuclear energy. It could help make war less likely, and could help to relieve the economic plight of the poorest countries.

To illustrate the "enormous disparities" between nations in energy consumption, he said the average American consumed as much energy as nine Cubans, 16 Chinese, 53 Indians or 1,072 Nepalese.

Dr. Sigvard Eklund, director-general of the International Atomic Energy Agency, said the world's nuclear industries had learned an important lesson from the accident last year at Three Mile Island, just as NASA had learned important lessons from the Apollo fire in which three astronauts died. Without the changes made after that accident, the moon landing would have failed, Dr. Eklund said.

Forlink in pledge on Bamfords

By RAYMOND HUGHES, LAW COURTS CORRESPONDENT

FORLINK, which has acquired certain assets of the agricultural machinery specialists Bamfords, undertook in the High Court yesterday not to dispose of, charge, or otherwise deal in the assets without the court's permission.

The assets were transferred to Forlink, a subsidiary of Bamfords, under a hiving-off agreement.

The undertaking had been sought by Gardner Steel whose petition for the compulsory winding-up of Bamfords, based on a debt of £50,802, is due to be heard on June 30.

Mr. Justice Vinelott continued until the hearing of the petition an order he granted Bamfords on June 3. This gave the company leave to sell existing stock, machinery and spare parts pending the petition. It also permitted Bamfords to open a new bank account from which certain wages and other liabilities could be paid.

The judge said then that the

order was needed to secure Bamfords' property and to enable it to dispose of stocks and completed machinery at the most advantageous time.

Yesterday the judge rejected an application by Gardner Steel for a direction that Bamfords file more evidence about its directors' knowledge of the winding-up petition.

He had been told by Mr. Daniel Serota, for Gardner, that there was a suspicion that the state of Bamfords' directors' knowledge of the petition had been misrepresented at the last court hearing.

Benin collection sale fetches £747,660

ONE OF the finest collections of works of art from Benin, Nigeria, still in private hands, sold for £747,660 at Sotheby's yesterday. The three most important lots, out of a total of 24,

Adolph Schwarz of Amsterdam, and after the auction it was announced that all the three top lots would be returning to Nigeria.

Mr. Schwarz's skill in building up a collection in this fast appreciating sector of the art market is indicated by some comparative prices. An early Benin bronze memorial head of an Oba chief, probably made in the early 14th century, sold yesterday for £200,000, a record auction price for any Benin item. In 1954 the head sold at Sotheby's for £320.

The collection had been formed in recent years by Mr.

SALEROOM

BY ANTHONY THORNCROFT

all sold to the same anonymous private buyer and the bought-in percentage was a reasonable 12.7.

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Laker's plans set for boost

By LYNTON McLAINE

PLANS FOR Sir Freddie Laker's round-the-world Skytrain are likely to be given a boost this afternoon.

Mr. John Nott, Trade Secretary, is expected to confirm Laker Airways as one of the new airlines to fly the London to Hong Kong route.

However, yesterday's staff from British Caledonian Airways — one of Laker's rivals for the route — marched on the House of Commons in protest at the possibility that BCal may lose its rights to fly in competition with British Airways on the route.

Staff at BCal are worried that their jobs and the company's investment in new aircraft may be at risk if its exclusive licence to fly between BA, granted by the Civil Aviation Authority in March, is taken away. Loss of this exclusive licence may cost BCal £40m in lost revenue.

Cathay Pacific Airways, the local Hong Kong operator is the other airline anxiously waiting for Mr. Nott's ruling on appeals against the authority's decision.

The decisions are expected to be made by Mr. Nott in the House of Commons later today.

Sir Freddie, chairman and managing director of Laker Airways, said yesterday he was "over the Moon" at the prospects of gaining rights to fly to Hong Kong.

He said: "This is a golden opportunity to see if free competition works. Hong Kong is one of the few air routes in the world where the UK Government is able to show in practice its attitude to competition."

Mr. Nott is expected to grant at least limited licences to Laker Airways, British Caledonian Airways and Cathay Pacific Airways to enable potential passengers to be offered complete freedom of choice.

Motor agents seek easier terms

By John Griffiths

THE GOVERNMENT is to be asked to ease hire-purchase restrictions on used cars.

The Motor Agents' Association, representing the retail end of the motor trade, is preparing a case which it hopes to put to the Government in about a week.

With both the new and used car markets heavily depressed, the association said yesterday that many of the country's 9,000 dealerships were under "terrible pressure" from high interest rates and their inability to move stocks.

The association has been under pressure to seek easing of present terms on both new and used cars. At present a minimum deposit of one-third and a maximum repayment period of two years are required.

But the association clearly feels that without a U-turn in Government economic policy its chances of securing a concession on new cars are minimal.

By seeking concessions for the used car market, "it should help dealers to start moving metal without bringing in more imports, because the cars are already here."

The trade is not without its sceptics about the move. Some dealers fear that the proposed extension of the repayment period to three years would mean that many owners, needing to change vehicles after two years, would have insufficient equity in their cars to afford a new one.

Agreement on 870 more job losses at Shotton steelworks

By ROBIN REEVES, WELSH CORRESPONDENT

AGREEMENT HAS been reached between management and trade unions on a further 870 redundancies at the British Steel Corporation's Shotton works, North Wales.

It will reduce the number of employees at the plant to 3,386. It brings job losses at the Deeside works over the past six months to more than 7,000.

An agreement to end iron and steel making at Shotton, with some 8,400 redundancies, was signed just before last Christmas. The bulk took effect in the first three months of the year. Most of the latest steel men to be made jobless will leave at the end of the month.

The new deal covers the cold rolling mill, and finishing — coatings complex — opened only a year ago at a cost of £48m. It is now geared to process 10,000 to 12,500 tonnes of hot-rolled coil a week, supplied from

BSC's Ravenscroft plant in Scotland.

Shotton's redundant workers will receive ex gratia severance payments averaging £10,000 per person.

This is more than was recently agreed for the 11,300 redundancies at Port Talbot and Llanwern in South Wales.

The Shotton agreement is based on 50 weeks' wages, stemming from BSC's one-time commitment to maintain iron and steel making there at least until 1982. At Port Talbot and Llanwern, there have never been similar commitments, the redundancy payments are based on 20 to 45 weeks' wages depending on length of service.

The Shotton agreement leaves negotiations outstanding on 1,200 of more than 20,000 redundancies being effected at BSC's Welsh plants. BSC's deadline for completing negotiations is the end of the month.

Swindon companies warn of threat to jobs

By OUR FINANCIAL STAFF

THREE companies in Swindon, Wilts, announced yesterday that they were in financial difficulties. As a result, more than 160 jobs will be at risk.

Two of the companies have called in receivers. Ane, Limood Electronics, was set up last year but has now virtually stopped production. It employs 87 workers in the radio and micro-electronic business and had hoped to manufacture mini-computers, VHF radio equipment and marine equipment.

The receiver has also been called in at Thomas Fry, chromium plating company which employs about 30 workers; and which is appealing to customers and suppliers for help.

At Bradley Engineering, 45 workers will be made redundant as a result of the company's decision to drop its dealership for Talbot cars and Leyland truck servicing. It will retain skilled men to work on general engineering, sub-contracting business.

Moratorium plan attacked

By ANDREW TAYLOR

A MOVE to place a moratorium on new building work by local authorities would mark the complete failure of Government policies to control public spending and switch resources to the private sector, construction industry leaders said yesterday.

Mr. Kenneth Cooper, director-general of the National Federation of Building Trades Employers, said such a move would drive the construction industry into an even deeper recession and force many companies into bankruptcy.

The Government is considering a moratorium as a means of keeping public spending

within planned ceilings. It has become concerned at the continued failure of local authorities to reduce staffing and spending levels.

Mr. Derek Gaultier, director-general of the Federation of Civil Engineering Contractors, said a moratorium would be an admission that the Government's economic policies had failed. It would mean that public sector jobs were to be preserved at the expense of the private sector.

The builders' federation has warned the Prime Minister that a moratorium, a "discredited device," would "undermine the credibility of your new approach to economic policies."

The volume of total exports fell by 3 per cent during the two three-month periods, while imports dropped by 4 per cent.

The terms of trade—the ratio of export to import prices—rose slightly during the three months to 101.4 (1975=100) from 101.3. This follows a decline of about 2 per cent in the first quarter of this year.

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Trade figures improve

By DAVID MARSH

BRITAIN has run a sharply reduced deficit of the current account of its balance of payments in the last three months, largely as a result of a fall-off in imports and the increased value of oil exports.

Invisibles' earnings have been improving compared with the slack period towards the end of last year.

The current account shortfall during the March-to-May period was £256m against £584m during the December-to-February quarter, according to provisional seasonally adjusted figures published yesterday by the Department of Trade.

The deficit on visible trade narrowed to £458m from £739m, while the surplus on invisibles is estimated at £202m compared with £215m in the previous three months.

The invisibles' surplus during the first three months of the year has been revised upwards to £306m from the previous estimate of £150m. Britain's surplus on services, interest, profit and dividends and transfers payments has thus improved compared with the final quarter of last year, when the surplus was down to only £24m. Britain had a surplus of £29m

in oil trade during the March-May period, compared with a deficit of £209m during the previous three months. The volume of crude oil exported fell by 3.5 per cent, but its volume went up by 19 per cent.

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BALANCE OF TRADE

		Exports £m seasonally adjusted	Imports £m seasonally adjusted	Exports Volume seasonally adjusted 1975 = 100	Imports Volume seasonally adjusted 1975 = 100	Terms of trade *Unadjusted 1975 = 100	Oil balance £m
1978	1st	8,390	9,023	120.1	113.6	105.0	-625
	2nd	8,676	8,842	121.0	109.1	104.5	-419
	3rd	8,933	9,401	122.5	115.0	106.1	-497
	4th	9,072	9,278	122.5	112.9	106.5	-458
1979	1st	8,373	9,961	109.0	116.9	107.0	-235
	2nd	10,658	11,144	135.3	128.9	106.4	-229
	3rd	10,841	11,124	129.8	124.1	106.8	-158
	4th	11,017	11,762	129.3	123.7	103.7	-157
1980	1st	11,832	12,570	131.3	124.5	106.7	-126
	Mar.	3,835	4,010	127.3	122.7	106.4	-45
	April	3,885	4,149	127.2	122.6	101.8	+4
	May	3,773	3,991	130.2	121.4	102.0	-10

* Ratio of export prices to import prices

Source: Department of Trade

* Ratio of export prices to import prices

Source: Department of Trade

Germany spends more on research work

GERMAN INDUSTRY receives

at least four times as much financial support from its Government for research and development than is provided in Britain, according to the National Economic Development Office.

The West German Government has a data processing programme and research and development promotion which totals some £350m a year compared with only £90 spent by the British Government, largely through research development boards.

"Typical of the thinking behind these measures is the German view that competitiveness now depends crucially upon innovation and quality performance, and that lack of resources should at no point be allowed to hold up the implementation of potentially viable innovation," says a paper which the office presented to the National Economic Develop-

ment Council yesterday.

The paper summarises aid schemes in other countries and has been prepared at a time when British industry is becoming increasingly concerned that companies are cutting back on their research projects because of the recession.

The National Economic Development Office believes that more aid should be provided by the Government, despite the opposition of Sir Keith Joseph, the Industry Secretary. It produced yesterday's paper to provide detailed evidence.

It said that there has recently been a shift away from specific sectoral aid schemes in foreign countries which now favour more general comprehensive programmes.

"This is a trend away from picking winner industries and towards promoting a modern industrial base from which more successful products will

emerge," said Mr. Geoffrey Chandler, director general of the office.

The paper dealt with what are called "positive" adjustment policies which means aid

John Elliott, Industrial Editor, examines the National Economic Development Office comparisons of State aid for industrial research and development.

schemes aimed at encouraging industrial change rather than propping up dying industries.

"There has been a growing disenchantment with selection borne of the past failure of government officials to 'pick winners', the recognition that powerful lobbies often lead to spending money on propping up losers instead, and the tendency of various governments to pick the same industries for special treatment without regard to the market share aspirations of other governments, and so

cancel out each other's efforts," says the paper.

Explaining the main reasons for adopting adjustment policies, the NEDO says "France in particular, and increasingly

other European countries, have recognised that Governments can increase the speed with which capital, technology and labour are recombined both between industries and within industries."

"In energy-rich countries like Holland, Norway and the UK, a high exchange rate can reduce the growth of industrial production and create even greater pressures to change the distribution and efficient combination of resources."

Policies could help companies identify and exploit high technology and product opportunities, spread the costs of adjustment, increase information and understanding, restraints on competition, and direct resources, it says.

The largest number of examples of schemes found by the NEDO during a recent survey were in France, Holland and West Germany. Other countries covered include Belgium, Denmark, Eire, Italy, Luxembourg, Norway, Sweden and Switzerland.

In the early 1970s, Japan and France started "picking winners" and supporting them selectively. This led to the development of schemes for specific sectors of industry in other countries.

Recently sectoral schemes have become more open-ended with Belgium concentrating on diversification and Denmark, Holland, Sweden on manage-

ment restructuring. Denmark, France and Switzerland have also concentrated on higher technology.

The Dutch have recently introduced a comprehensive set of measures which combine a sectoral approach with a flexible system of investment incentives and the promotion of research and development.

The French, says the paper, have a wide range of discretionary instruments which can be put together in "varying packages."

"A large group of the adjustment policies surveyed are intended to assist the national suppliers and users of the new high technologies to catch up and to co-exist with the leaders in these sectors," says the paper. "The emphasis here is upon diffusion and not on the whole, upon promoting national champions."

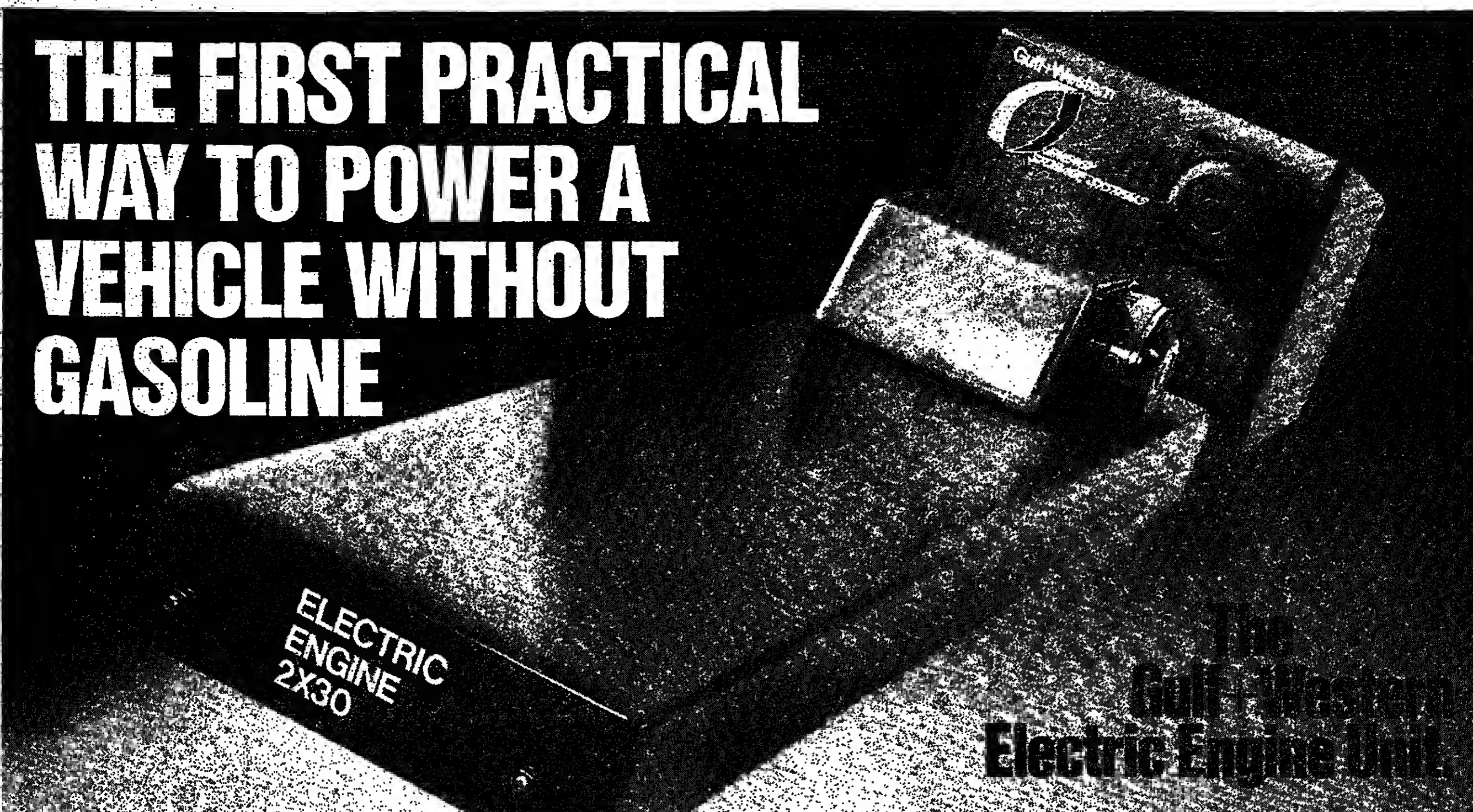
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Compared to lead-acid batteries, it has at least 4 to 5 times as much energy per pound—and twice as much as nickel-zinc batteries. The cells—the heart of the G+W Electric Engine unit—have achieved, in a test model, over 4 years of daily, continuous cycling—charging and discharging fully 1400 times—the equivalent of 200,000 miles of continuous performance without failure and without any cell degradation. This is a significant development since the cells in nickel-zinc and lead-acid degrade with each cycle.

The Electric Engine unit replaces several hundred parts necessary with an internal combustion engine, and it is not limited by design constraints. When adapted to a Volkswagen Rabbit, in actual performance, it achieved acceleration from 0 to 30-MPH in 9.8 seconds.



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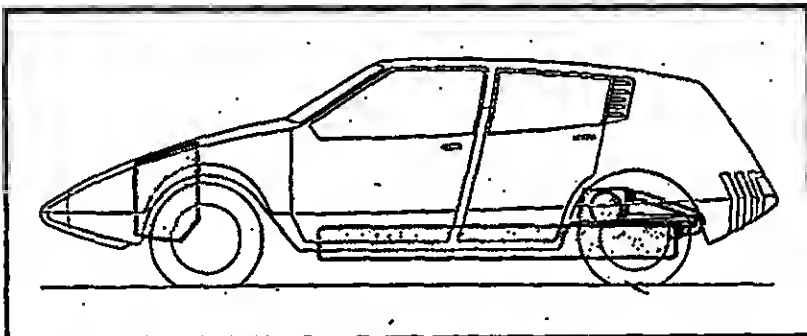
In fact, we estimate that, based on this breakthrough, there will be 34 million electric vehicles on our roads within twenty years' time. And electric vehicles could represent close to 40% of U.S. vehicle production in the year 2000.

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And there will be no air or noise pollution. Imagine what a difference this will make to our cities.

THE G+W 2X30 ELECTRIC:



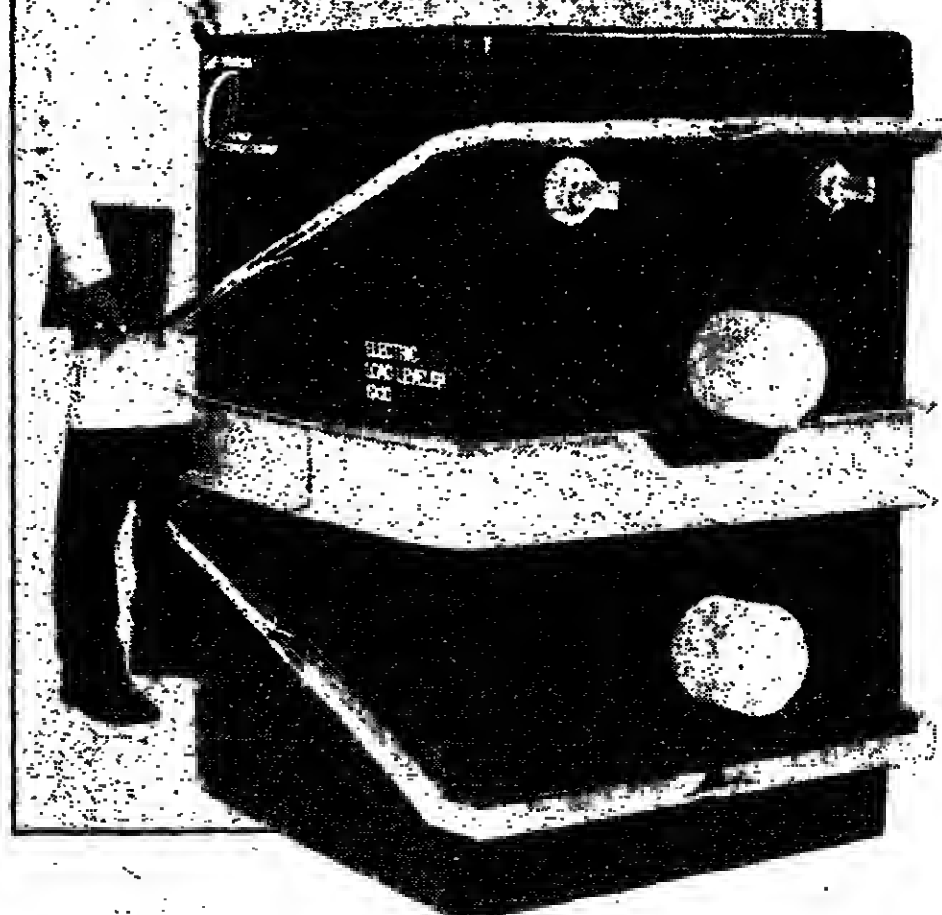
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The Gulf+Western Electric Load Leveler Unit.

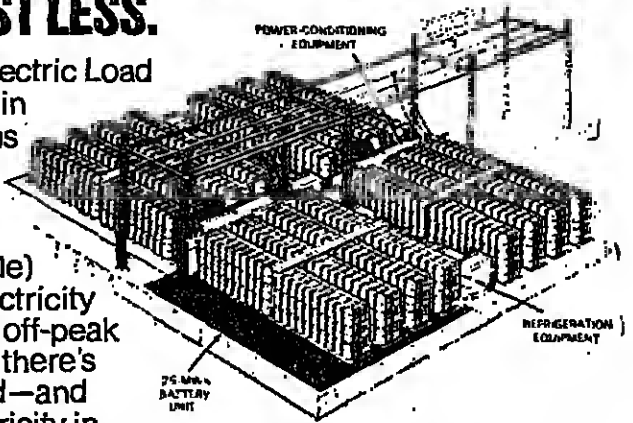
In a different configuration, the G+W Energy Storage System will function as a load leveling device for public utilities.



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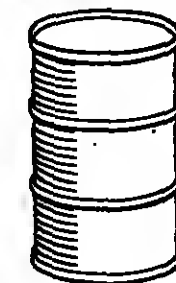
This pilot plant will help us master the techniques necessary to efficiently mass produce our systems. G+W Energy Storage Systems are not yet commercially available, but we anticipate the operation of a full-scale facility by 1983-1984 when limited commercial production will begin.

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UK NEWS - PARLIAMENT and POLITICS

LABOUR

Government wants joint action over New Hebrides

By Ivor Owen

FRENCH PROTESTS against the despatch of a contingent of Royal Marines to the New Hebrides brought a low-key response from the Prime Minister and Lord Carrington, the Foreign Secretary, at Westminster yesterday.

Both emphasised Britain's continuing readiness to act in co-operation with France in dealing with the rebels of Eritrean and Tigrayan forces, although Lord Carrington admitted in the Lords that he had been "puzzled by recent events."

In the Commons, Mrs. Thatcher confirmed that she spoke to the French President about the New Hebrides situation during the Venice summit, stressing that Britain continued to wish to act jointly with France.

She equated the despatch of the Royal Marines to the action of the French in sending armed gendarmes to New Caledonia—pointing out that Britain had no armed police.

When asked if the French had the right to veto the use of British forces, Lord Carrington stated: "I cannot see any circumstances in the need to protect law and order in which the French would not agree to the use of our troops."

Mr. Peter Blaker, Foreign Office Minister of State, told the Commons that he was seeking an early meeting with his French opposite number, Mr. Paul Dujon, to clarify the joint approach of the British and French Governments to the problems of the New Hebrides.

He reacted angrily to taunts by Labour MPs, and repudiated a charge by Mrs. Gwyneth Dunwoody, an opposition front bench spokesman, that it was "painfully obvious" that the British Government had been led by the nose by the French Government.

The Minister was particularly incensed when she called for a fuller account of the conversation between the Prime Minister and the French President.

Mrs. Dunwoody complained: "We know what Mrs. Thatcher said, but it would be helpful to know if President Giscard got a word in edgeways."

Amid laughter from both sides of the House, Mr. Blaker replied: "It would not be proper for me to say what the French President said to the Prime Minister."

The Minister accused Labour MPs of acting irresponsibly and trying to inflame relations between Britain and France even though they knew that it was in the interests of the people of the New Hebrides that there should be close co-operation between the British and French Governments.

He hoped that his meeting with Mr. Dujon could be arranged as speedily as possible so that Anglo-French policy could be re-established on similar lines.

After reaffirming that July 30 remains the target date for independence for the New Hebrides, the Minister added: "It would not be a responsible action to allow the territory to go into independence in a state of insurrection."

Carrington steps-up anti-Games pressure

By Chris Sherwell

GOVERNMENT pressure to persuade British athletes not to go to this year's Olympic Games will be stepped up today when Lord Carrington, the Foreign Secretary, meets the heads of those sports bodies still intending to send teams to Moscow.

Lord Carrington's intervention in the controversy represents a significant intensification in the Government's five-month-old anti-Olympic campaign.

Apart from Mrs. Thatcher's own pronouncements, responsibility has up to now fallen on Mr. Douglas Hurd, Minister of State, while Lord Carrington has spent his time on issues until now regarded as more important—Rhodesia, the EEC budget, and the Middle East.

The move also confirms that Government efforts to persuade athletes not to go to the Games did not end with the passing of last month's deadline for national Olympic committees to accept their invitations to Moscow.

With the Games due to start in less than five weeks, pressure on the British Olympic Committee and its head, Sir Denis Follows, is clearly being redoubled. Officials believe that the athletes will soon come under direct pressure.

With a few notable exceptions—such as equestrianism, yachting and hockey—most athletes and their administrative bodies have responded to Government appeals not to attend the Olympics by refusing to be singled out and suggesting that the Government itself take more action in protest against the Soviet invasion of Afghanistan.

EEC 'creating powderkeg' in M. East says Callaghan

By Philip Rawstorne

MR. JAMES CALLAGHAN yesterday accused Mrs. Margaret Thatcher and other EEC leaders of "creating another powderkeg" in the Middle East.

The Venice summit's decision to accede to the Palestine Liberation Organisation, with peace negotiations and to call for Palestinian self-determination had been a serious and mistaken change of policy, he said.

"If that is the kind of initiative European statesmen are committing themselves to, it would be better if they had kept quiet," Mr. Callaghan declared in a series of Commons clashes with the Prime Minister.

"All they have done is to encourage Mr. Begin in his narrow and illegal policies on the settlements: to give a boost to the PLO which has said it will destroy Israel; and to embarrass the United States in its efforts."

Mr. Callaghan asked whether the EEC declaration meant the creation of a new independent state on the borders of Syria, Israel and Jordan.

Such a state could, under the right of self-determination, be fully armed, he warned.

If that were EEC and British policy, it would create another powderkeg in the Middle East, Mr. Callaghan said.

He recognised that the Palestinians needed rights, but the EEC had fallen for PLO propaganda.

The Middle East protagonists were always trying to line up allies — and the PLO had won a propaganda victory by lining up the EEC, whose concern about oil made their motives suspect.

"It would have been far better if Enkopa had said it supported the discussions to take place between Jordan and the U.S.," Mr. Callaghan suggested.

Mrs. Thatcher, in her Commons statement, said that the EEC's declaration restated the two principles which had been the basis of the European position for many years:

● The right of all the states in the region, including Israel, to existence and security.

● Justice for all the peoples, which implies the recognition of the legitimate rights of the Palestinian people.

"A comprehensive settlement requires that all the parties concerned should be bound by these principles," she said.

Mrs. Thatcher added that the EEC had decided to make contact with all the parties to ascertain their position on these principles and then to determine what from the EEC initiative might take.

"The diplomatic activity which the Nine will undertake over the next few months is intended to be complementary to the Camp David process on which the U.S., Egypt and Israel are still engaged," she declared.

Mrs. Thatcher reminded Mr. Callaghan that he had signed a European Council statement in 1977 which recognised the right of the Palestinian people to a homeland.

The EEC leaders recognised there would be no quick solution to that point, she said.

"But you and all other heads of Government have for a very long time accepted that if one people expects to exist behind secure boundaries, they cannot deny that right to another people."

"What you ask for yourself, you must be prepared to accord to others—that is exactly what we are saying," she continued.

The EEC leaders had made it perfectly clear they believed in the future of the Camp David initiative as supplementary to it.

Mr. Callaghan retorted that the European Council had gone further than it had before.

"If you are giving support to the creation of an independent state in this part of the world, then you have gone along with a process that President Giscard initiated and you should not have done so."

"President Giscard does not support Camp David and never has done," he said.

Mrs. Thatcher replied angrily that Mr. Callaghan was "trying to put words into my mouth."

The European Council was not trying to undermine the Camp David agreement, but merely seeking a peaceful settlement.

Mr. Julian Amery (C., Brighton Pavilion) suggested that it should be for Jordan to decide whether the PLO should be a negotiator in a Middle East settlement.

Mrs. Thatcher replied that the EEC had not recognised the PLO as sole representative of the Palestinian people.

"We have not done that and could not do it," she said.

"But there cannot be a comprehensive settlement in this area unless the PLO is associated with it."

If the negotiations were to achieve anything, she said in reply to further questions, Israel would have to accept the legitimate rights of the Palestinian people, including the PLO, just as the PLO would have to accept Israel's right to exist behind secure boundaries.

Gilmour attacked over attitude to Brandt Commission report

By John Hunt, Parliamentary Correspondent

SIR IAN GILMOUR, Deputy Foreign Secretary, came in for strong criticism in the Commons yesterday when he outlined the Government's attitude to the Brandt Commission report which recommended a large and concerted increase in aid to the developing countries.

In particular, Mr. Edward Heath, the former Tory Prime Minister, who was a member of the Commission, made it clear that he found Sir Ian's speech quite inadequate to meet the scale of the problem.

The Opposition also strongly attacked Sir Ian's response. There were cries of "disgraceful, shameful" from the Labour benches when the Minister sat down at the end of a speech in which he failed to give any specific Government commitment to the recommendations of the Commission.

Mr. Peter Shore, Labour's Shadow Foreign Secretary, described it as "an astonishing lacklustre" performance.

"I cannot find a great deal of evidence of political will or imagination in the speech we have heard," he declared.

Opening a debate on the Commission's report, Sir Ian took a cautious attitude towards

its main recommendation that world leaders should hold a summit to launch an emergency aid programme.

"This might be useful but we should need a great deal of preparation and it would have to be carefully timed," he maintained.

Dealing with the recycling of surplus oil funds to those in deficit, he stressed that the major role must be borne by the private banks.

There were cries of protest from Labour MPs when he said that Britain's aid programme in present economic circumstances was a substantial one amounting to 0.52 per cent of GNP in 1979.

The Government, he said, remained committed to the target of 0.7 per cent of GNP to go for aid purposes "but we cannot give a firm date by which this is to be achieved."

He agreed that the prospect for many developing countries was deeply disturbing and since the report was published the latest increases in oil prices had made many of the Commission's forecasts seem optimistic.

The report called for changes to be brought about mainly by Government action. But Sir

Ian thought that this exaggerated the capacity of governments to control the world economy.

"It is desirable to continue the evolution of the present system in response to the changes facing us rather than make wholesale changes to the rules governing the development of trade," he said.

Wholesale Government action might harm rather than help the economies of the developing countries.

But Mr. Heath told the House: "What I want to hear is not that the British Government is to play its part in whatever may or may not be done, but that the Government is going to give a lead in implementing the proposals of the report."

Political will and public support were necessary and the Government should address itself to this.

He pointed out that the Minister had suggested that the Government could not be expected to deal with these matters. But he disagreed. The situation could only be dealt with by governments because it was they who controlled the international institutions.

As a "private enterprise man"



Sir Ian Gilmour: no wholesale changes

he agreed that the private sector had a part to play, particularly the multi-national.

But he added: "To say that private enterprise must get on with it is quite inadequate to deal with the situation which now exists."

Heath predicts 'intense danger' for West

MR. EDWARD HEATH, the former Prime Minister, predicted last night that the 1980s would be a period of "considerable international instability and of intense danger for the Western world."

He said European members of NATO would have to assume their share of the burden of upholding international security.

"It will no longer do for Europe to behave as if the only contribution which it has to make to global security outside NATO is to voice its concern to the U.S.," he said in an international lecture for Strategic Studies Institute in London.

The U.S. was now more

nationalistic in her policies and "very much less willing to underwrite the stability of the international system in the common interest with all the sacrifices which that entails."

Europe could play a greater international role in diplomatic and economic spheres and "make a substantial contribution without deploying large numbers of troops outside the NATO area by the provision of military equipment and training to countries threatened by external aggression."

"She can do it by strengthening the defence of the European theatre and by doing it in some cases by providing

logistical support for American military developments outside Europe," said Mr. Heath.

If the North Atlantic allies failed to rise to the challenge of restoring greater unity among themselves, "the result will be to push the U.S. towards isolation and the Europeans towards accommodation with the Soviet Union."

Mr. Heath said: "The 1980s are going to be a period of considerable international instability and of intense danger for the Western world."

On the part of the Soviet Union we have witnessed a relentless accumulation of

military power in every single category of weapon.

"This has enabled her to take advantage of the increasing numbers of pockets of discontent and rivalry throughout the developing world so as to tilt the geopolitical balance in various regions in her own favour."

Mr. Heath warned that the belief that East-West relations could be reliably affected by gestures of goodwill gave the Kremlin "the opportunity of attempting to influence Western behaviour by largely cosmetic ploys such as the withdrawal of a few thousand troops from East Germany."

Silkin decision highlights split

By Richard Evans, Lobby Editor

THE DECISION by Mr. Sam Silkin, former Labour Attorney General, not to seek re-election as MP for Dulwich at the next election has highlighted the pressures on a moderate Labour MP to conform with the party's official line.

Mr. Silkin, MP for the constituency since 1964, gave as his reason for retiring his age at the next election—he is now 62—and his desire to devote more time to his family.

But it is freely admitted in his local party and among his colleagues at Westminster that there have been deep political divisions within the party and Mr. Silkin could have faced growing pressures to stand down. These divisions are believed to be the real reason for his planned departure.

His decision to withdraw well before the likely date of the next election coincides with the success of the Left-wing campaign to have mandatory re-

selection of Labour MPs once in each Parliament.

This was accepted in principle at the weekend by the Labour Party's Commission of Inquiry, although it is still opposed by Mr. Callaghan and party moderates, who believe it would simply increase the power of party activists to unseat MPs whose views they criticised.

The proposal will now be argued over in the Shadow Cabinet, the National Executive Committee, local Labour Parties and in the trade unions before a decision is taken at the October Party Conference.

If the proposal is accepted, it is regarded as certain that many moderates now in Parliament would not be re-elected.

The difficulties experienced by Mr. Silkin at Dulwich, a marginal seat which he won by 122 votes after a recount at the last election, are similar to those

of a score or more Labour MPs. An upsurge in the power and influence of Left-wing activists in the constituencies has left sitting MPs vulnerable to attack by a local caucus.

Mr. Silkin's local party chairman, Mr. James Wheller, said he thought it was the swing to the left at Dulwich that had prompted Mr. Silkin's decision.

He said the main activists in the local party were Left-wing and against the old party faithful.

It is local issues that have recently dominated the local party and there have been complaints that Mr. Silkin did not take enough trouble in dealing with them.

Mr. Silkin's career as Attorney General was marked by several controversies, including an attempt to prevent publication of sections of the Crossman Diaries.



Sam Silkin... growing pressures

Legal and General staff to take disruptive action

By Nick Garnett, Labour Staff

THE LEGAL and General, one of the country's leading insurance companies, faces considerable disruption from today following a decision yesterday by union delegates to begin industrial action over pay.

The Association of Scientific, Technical and Managerial Staffs, which claims just under 3,000 members out of the company's 4,000 staff, agreed a set of guidelines on industrial action to begin throughout the company starting today and tomorrow.

The guidelines include a ban on the use of telephones to conduct business which could be handled through the post, together with rigid adherence to contract and a general policy of non-cooperation.

Mrs. M. Kennedy, ASTMS national officer, said the industrial action would be flexible among Legal and General's 64 offices. Banning the use of the telephone did not contradict work contracts for clerical staff, he said.

The company has offered 10.2 per cent from July 1, the traditional settlement date in a nine-month deal, to be renegotiated next April. The offer, which also involves improvements in fringe benefits, follows a 5 per cent payment in January.

The company says that when all these factors are taken into account the deal is worth more than the new percentage offer. The union, however, is seeking immediate rises for its members in line with the rise in the retail price index.

Mr. Kennedy said the union was simply attempting to reach an agreement similar to those struck at other insurance companies which the union says have been averaging 20 to 25 per cent. It did not want to be forced into coming back for more if other insurance companies negotiated bigger deals in the next six months.

The Basking Stakes and Financial Union has agreed a pay deal with the Phoenix Assurance group, which gives rises of 18.5 per cent from June, the annual settlement date, with a further 4 per cent from January.

The settlement to run for 12 months, also includes improved fringe benefits, involving changes to its house purchase scheme and to London weighting payments.

Vosper shipyard peace talks fail

By Nick Garnett, Labour Staff

DISCUSSIONS AT the weekend between Vosper Thornycroft and local trade union officials failed to solve the dispute at the company's Southampton yard, where more than 2,000 workers are on strike.

Management officials at Vosper Thornycroft, a member of British Shipbuilders, met representatives of British Shipbuilders' management in Newcastle yesterday to discuss the dispute, the root of which is a national agreement between the corporation and the Confederation of Shipbuilding and Engineering Unions.

A further 130 men employed on bulk work walked out yesterday at the yard, which is building three destroyers and three mine counter-measure vessels.

About 130 plumbers stopped work at the beginning of last week because 20 plumbers transferred from Vickers at Barrow-in-Furness, another British Shipbuilders subsidiary, were put on a higher basic rate.

A further 1,900 of the 2,500 Southampton hourly-paid workers then struck in sympathy.

The plumbers from Vickers were moved to Southampton under a national agreement signed by British Shipbuilders and the CSEU. This was principally designed to cope with temporary labour shortages at specific yards. Vosper Thornycroft has had a shortage of plumbers, who have been in surplus at Barrow.

Vosper says it has stuck rigidly to the national agreement, which has been used in a considerable number of worker transfers in British Shipbuilders.

The national arrangement provides transferred workers with at least minimum basic pay rate for their grade, plus \$10 a week a deal to run for 12 weeks.

This has resulted in the 20 transferred plumbers earning a basic rate above £100, some £7 more than the plumbers already working for Vosper Thornycroft.

Local officials of unions in the CSEU have discussed the strike with shop stewards at the Southampton yard.

NGA launches campaign against Employment Bill

THE NATIONAL Graphical Association, Britain's biggest print craftsmen's union, yesterday launched an attack on the Government's Employment Bill which it described as "a major assault on hard-fought-for trade union organisation rights."

In a special paper circulated to its 108,000 members, the union said the assault closely resembled the attack staged by the 1971-74 Conservative Government through its discredited Industrial Relations Act.

"These policies must be opposed at all costs, for if the Government achieves its objects, there will be little effective protection for trade unionists," the union said.

The union said it was launching its campaign against the Bill to ensure its members were aware of the potential threat posed by the Bill.

"We are calling on the Government to drop its legislative plans and seek co-operation with the trade union movement."

To "progress" any further with this Bill would undoubtedly sour the climate of industrial relations as previous attempts at such legislation have shown, the paper warned.

Local government chiefs accept 18% pay rise

By Our Labour Staff

EMPLOYERS AND union negotiators for 454 chief executives in local government have concluded agreement on a total 18 per cent pay rise outstanding from their pay settlement date last July.

The agreement includes the results of an arbitration award which gave a 9.4 per cent increase backdated to last July.

Final agreement has been held up by disagreement on distribution of the money which employers were concerned to see based on differentiation between local authorities

depending on population size.

Local government employers will today discuss an offer to its white collar staff who have submitted a 20 per cent claim.

The National Free Enterprise Award for 1980, presented by Aims, the Free Enterprise Organisation, will be presented to Sir Hector Laing, Chairman of United Biscuits (Holdings) on Free Enterprise Day (July 1) at the International Press Centre, London.

Nursing unions urge unity

By Pauline Clark, Labour Staff

TWO BIG nurses' unions yesterday urged a united programme of industrial action over the 14 per cent health service pay limits.

The call for disruptive action, which would avoid directly harming care of patients, was made by the National and Local Government Officers' Association and the National Union of Public Employees.

It came on the eve of a major debate on nurses' pay at this week's Blackpool conference of the Confederation of Health Service Employees, which represents about 130,000 of Britain's total 490,000 nurses and midwives.

The confederation's executive will recommend selection of a 14 per cent pay offer and is expected to press for a ballot on the issue to test grass roots support for industrial action.

Any programme of action, however, would not include members of the 130,000-strong Royal College of Nursing, which has decided against recommending action in spite of anger over an 18.7 per cent inflation award to doctors and dentists.

Mr. Roger Poole, assistant national officer for the Health Service in NUPE, representing 80,000 nurses, said there was little more to be gained from further negotiations on nurses' pay.

The union was advising its nurses in branch consultations "to take a wide-ranging look at the way they can take action without harming patient care."

"We aim to get all the nurses unions together to mount a joint campaign which will place sufficient pressure on the Government and employers to come up with a fair deal for nurses and break the 14 per cent deadlock," said Mr. Poole.

The Royal College of Nursing was attacked by the union for "accepting a management offer in the middle of current pay negotiations" and while local committees in hospitals were still discussing forms of action.

Mr. Steve Johnson, national officer for the health service in NALGO, yesterday invited COHSE nurses to join with his nurses in a programme of industrial action.

Negotiators for the union's 30,000 nurses were mandated at the NALGO annual conference last week to draw plans for industrial action over pay.

Dr. Gerard Vaughan, Health Minister, yesterday agreed to meet union representatives of 37,000 supplementary medical staff early next month over a pay claim which management estimates is worth 59 per cent.

The group, which includes radiographers, physiotherapists, occupational therapists and other professional workers at the National Health Service, joined the nurses in attacking Government attempts to impose a 14 per cent cash limit on health service pay.

Union leaders have been told by management that employers will reconsider a recent 15 per cent offer, but they hold out little hope of any substantial improvement without direct Government intervention.

The group, which has already taken industrial action this year in a dispute over a Clegg compensation award, has submitted a 21 point pay claim.

An ambulance workers' leader, Mr. Terry Mallinson, yesterday warned that the public may have to suffer another "winter of discontent" unless his members win better pay and conditions.

مكتبة الشمل

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

ENERGY

Watches the watts

With power costs soaring and even more stringent monetary penalties for exceeding forecast peak demand in the off-peak, users of large amounts of electricity now have an imperative need to keep consumption under tight control.

With this in mind, Ferranti Instrumentation has brought out a state-of-the-art energy control unit which can be specified in several capacities from a demand controller to a unit capable of coping with 96 different power consuming devices/processes fed from several sources and subjected to different priorities, that is, the equipment will turn them on or off in a selected sequence according to pre-set maximum consumption allowed in a given time period.

Depending on the type of application, the equipment which starts at £2,250 and goes up to over £5,000, can be written off in two years down to less than one year. It is capable of controlling other fuel-consuming equipment where needed.

Because many industrialists still believe their plants cannot shed load, or do that easily, Ferranti would not install a controller before having made

MATERIALS

Keeping it clean

EDINBURGH BIO-CHEMIST Jeremy Frew has spent four and a half years on research, resulting in the announcement of an invisible protective barrier for an assortment of surfaces, such as glass, paints, vinyls, metals and ceramics.

This promises to prevent dirt, or dirty rainwater, from adhering to or depositing on surfaces to which the product, called Forcefield, has been applied. The barrier has anti-stick properties (even adhesives have extreme difficulty in attaching themselves) and actively repels contaminants. Dirty raindrops, for instance, are said to roll off a Forcefield-coated surface like miniature glass marbles carrying their dirt content with them.

Subsequently, airborne dirt settling on a horizontal surface can be easily removed by further rainfall or by hosing down with plain water, thus obviating the cost of detergents, solvents and labour, says manufacturing outlet, J & L Developments, 30 Montgomery Street, Edinburgh (031 556 4203).

Water repellent properties inhibit rust and abolish the necessity for repetitive waxing of vehicles.

Product is non-acidic, non-caustic, has a high flashpoint and very low order of toxicity and irritation. It does not damage any surface to which it is applied, is totally insoluble in water, is not an emulsion and contains no wax.

Applications for worldwide patents are being processed.

COMMUNICATIONS

Supervision is made easier

TESSELATOR IS the latest aid developed by ASEA for machine communications, primarily in connection with ASEA's Sindac computer-based systems for supervision and control.

Together with an extremely low keyboard and a tracker ball for cursor control, Tesselator helps to ease the work of control room operators.

It greatly improves the readability of displays on video display units (VDUs). Its patented character generator makes it possible to mix arbitrarily both large and small characters. Important information can be presented as large, easily read text, while other information, for example data which remain unchanged is presented as smaller text. Paradoxically enough, it is possible to combine in this way good legibility with large amounts of information.

Watches the water level

A NORWEGIAN manufacturer is offering a water level measuring/management system called LEHMSOR MK II, which consists of one or more remote monitoring stations, connected to a control station in a network.

The remote stations can transfer data locally to a display unit or tape recorder, or transmit data via an optional answering machine to a telephone line.

It is stated that in addition to water level measurements, LEHMSOR can perform local process control, valve or gate control, valve position indication and record and transmit messages concerning measurements.

Each station contains a custom-designed microprocessor and the design facilitates quick connection to a minicomputer or a large main-frame system.

Full details can be obtained from Lehmsor, Elektronikk A/S, P.O. Box 188, Skeiven, Oslo 2.

PROCESSING

Treating larger components

TORVAC is to install a new bottom-loading vacuum furnace at its plant at Skelmersdale, Lancs., which will offer the company's sub-contract customers facilities for the vacuum brazing and heat treatment of much larger components than hitherto.

The new furnace, the Model VR60 from the Abar Corporation of Fcasterville, Pennsylvania, U.S., has an unusually large useful hot-zone size measuring 5 ft diameter x 5 ft high, and will initially be used for the processing of large area engine components.

VR60 incorporates broad-band molybdenum elements with a large radiating surface to ensure temperature uniformity. Another important point is the provision of tangential radial cooling from gas jets located all around the hot zone, giving even cooling and thereby reducing distortion in the heat-treated components.

Installation of the new furnace is due in late 1980, and is the latest stage in a major expansion programme of the Skelmersdale plant which has included other furnaces, new electron-beam-welding capacity, new offices and storage facilities, and the hire of extra staff.

Torvac (Midland) on 0203 367786.



SERVICES

Aid for an integrated approach

PRIME EQUIPMENT supplied to Peter Merrick Associates will form the basis of a new style timesharing service.

At the same time, the latter is to supply Prime information systems from PRCI as part of a service to users who require their own in-house computer or who subsequently growing to require one. Extensive support is planned to help users to move easily from being timesharing-only users to having their own in-house system.

The agreement between Peter Merrick Associates and PRCI is one of the first to be concluded following PRCI's exclusive dealership agreement with Prime under which it markets the Prime information system range in the UK.

PRCI is at St. George's House, 9 Church Street, Twickenham, Middlesex, UK. 01-891 4021.

Battery could go far

IN THE eight years or so since it was first mooted as a possibility the zinc-chlorine battery couple has emerged as a very strong contender. A recent announcement by its main U.S. protagonists — Gulf Western Industries — would put it well ahead of sodium-sulphur and other possible couples for the high-power-density crown.

G and W makes several claims, the most impressive of which is that a zinc-chlorine cell has been tested through its charge-discharge cycle over the equivalent of 200,000 miles, whereas most lead-acid battery systems would collapse and require replacement after 30,000 miles or so.

Installed in a Volkswagen Golf, the battery and its associated drive have been demonstrated to provide 150 miles at a constant 55 mph on one

HANDLING

Transports the bricks

DESIGNED SPECIALLY for transportation of bricks is a semi-trailer developed by Primrose Third Axle Company, Ewood, Blackburn, Lancashire (0254 56031).

It has two 115 ft long body sections separated by a gap of 3 ft for the crane installation. Each body section is fitted with two 2½ ft high drop-sides per side, these being of angle-sections framing a panel of welded steel mesh.

On the roadside, slung beneath the trailer chassis, is a Lister diesel donkey engine and hydraulic pump for powering the hydraulic crane. The trailer

IN THE OFFICE

Invoice typing speeded

WHAT AMOUNTS to a small word processor specifically programmed to meet the invoicing needs of a company where perhaps 50 to 100 invoices are needed daily at the point of sale or distribution, has been introduced by Adler Business Computers.

Known as the TA Invoicer it is a new stand alone electronic typewriter with an additional numerical keypad that will automatically undertake all the repetitive typing of items such as product descriptions, prices, discount and VAT, thereby reducing invoice preparation time by up to a half and tending to reduce errors at the same time.

An interesting approach to the programming is that the customer provides the information required by filling in a business survey questionnaire not only intended to convince him of the effectiveness of the idea, but to allow ABC to tailor the software to his needs.

Costing £3,100 with one tailor-made program, the machine is aimed at companies employing up to 100 people in distribution, wholesale, travel or wherever an invoice is needed when a sale is made.

Adler Business Systems is at 140 Borough High Street, London, SE1 (01-407 3191).

DATA PROCESSING

Aids handling of text

SWEDISH manufacturer Tele-Ekonomi, specialising in text input and handling, as well as word processing systems, has just delivered its first Grapto KTL 2002 DF double-density floppy disc text and information handling systems.

The systems are being installed in commercial printing firms as new input units and—in one instance—to replace upgraded existing input systems.

The double-density disc system allows more direct access to more information than earlier units and represents the latest development in the Tele-Ekonomi Grapto range (a sub-

Eye tests for operators

FINAL STATEMENT from the VET (VDU Eye Test) Advisory Group is available in a 12-page booklet published by Butler Cox and Partners.

VET was an independent body formed in July 1978 and chaired by Tom Stewart (formerly of Loughborough University, now with Butler Cox) with the primary objective of establishing a set of tests suitable for VDU operators.

This is a useful booklet for anyone concerned with the operation of VDUs. It contains a list of recommended eye tests for operators which,

because of the urgency of the need for suitable tests, have been selected from among those currently available throughout the United Kingdom in a standardised and reliable form.

From a practical point of view the tests are not difficult to administer and the report says that suitably trained lay personnel can test the majority of the visual functions using proprietary vision testers such as the Keystone Telebinocular, Mavis Tester or the Orthorator.

Butler Cox and Partners, Morley House, 26 Holborn Viaduct, London EC1A 2BP. 01-583 9381.

THE SAAB 99

'INCREDIBLE DEAL'

ECONOMY DEAL

There's never been a better time to play your cards when it comes to buying a SAAB 99 2 or 4-door. Combine price with performance and reliability, comfort and economy, a rally-proven 2-litre engine and a special finance scheme—you'll realise you've never had a better deal!

SAAB cars have always been known for their economy when it comes to fuel consumption. Typical return in the SAAB 99GL 2-door was around 41.5 mpg at a constant 56 mph. Now, the cleverly designed high ratio gearbox is fitted to the 2 and 4-door manual. It can reduce fuel used by an INCREDIBLE FURTHER 8%* and the NEW ECONOMETER will help you drive even more 'fuel efficiently'.

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When you consider the SAAB 99GL 2-door is still only £5,275 and the 99GL 4-door £5,760, for the car that is one of today's outstanding saloons, with excellent roadholding and superb driver and passenger comfort, it must be an ace!

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The exclusive purchasing aid, now available through 'SAAB FINANCE' at just 6% for all SAAB 99s, including the remarkable 99 Turbo, makes it a lot easier for you to own the economy investment of the 80s.

DON'T WASTE A MOMENT

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There's never been a better deal when it comes to buying a SAAB 99

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For more facts from your local SAAB dealer, use the Freefone. Dial 100, ask the operator to get you Freefone 3215. It won't cost you anything.

6% Equivalent to an annual rate of 11.5%. Maximum 2 years. Preferred business terms also available. All proposals are subject to acceptance by 'SAAB FINANCE'.

Prices include seat belts, car tax and VAT. Delivery and number plates extra.

*The SAAB 99GL 2 and 4-door Single Carb, manual, simulated urban driving. 24.8 mpg (11.5 litres per 100 km); constant speed driving 90 kph (56 mph)—45.6 mpg (12.2 litres per 100 km); constant speed driving 120 kph (75 mph)—34.4 mpg (13.2 litres per 100 km).

SAAB (Gt. Britain) Ltd., Fieldhouse Lane, Marlow, Bucks. SL7 1LY. Tel: Marlow (06284) 6977.

FINANCIAL TIMES SURVEY

Tuesday June 17 1980

VIDEO AND FILM

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In comparing the two media, the application to which they will be put has a considerable influence on the final pros and cons which will emerge. Nevertheless, with the rapid development of video systems, film must, in the long-term future, be overshadowed with obsolescence.

Broad scope for both media

By John Chittock

THE FIRST publicly demonstrated television system, invented by the energetic Scotsman John Logie Baird, relied on the use of a large revolving disc perforated with a spiral of holes inside the receiver. Its rival, pioneered by a team at EMI, dispensed with this kind of mechanical scanning and employed the electronic picture reproduction system which was essentially similar to television today.

Some media experts today would say that in some respects motion picture film—mechanically driven—stands in relation to videotape recording as Baird's system did to EMI's electronic one. Although videotape recording makes some use of mechanical drives, its method of picture reproduction essentially relies on electronics. Video offers low running costs per minute, convenience in instant replay, and better control over the technical characteristics of the image (e.g. colour quality, special effects, etc.). The advantages of film are low weight and capital

cost of equipment, better quality reproduction for large audience groups and ease of handling in post-production (e.g. editing) stages.

There are also disadvantages in each technology. Video is in an almost anarchic state of confusion over standardisation. There are various recorder systems (even more if broadcast recorders are included). Nor are the different national television systems of PAL, SECAM, and NTSC directly compatible with the other.

Video equipment is cumbersome, costly and demands greater technical skill to use than film. And although it is capable of superior colour fidelity than film, it cannot reproduce the fine detail or the range of extreme brightness from shadows to highlights of which film is capable.

These are some of the more simplistic arguments. However, in any serious examination of the two media one or two important criteria have to be established. Film is different from video in one very important operational respect: it is an almost universally professional technology; with video Super 8mm film—the largely amateur gauge—still cropping up in professional situations.

Differences

Video embraces a much wider range of applications and amateur equipment is rarely if ever usable in broadcasting. A broadcast television camera, for example, will cost 100 times that of a domestic video camera, and never the twin shall meet. In comparing the two media, it is therefore important to understand that the application

to which they will be put has a considerable influence on the final pros and cons which will emerge.

The amateur wishing to capture a family wedding celebration, if faced with a choice of media, will have to resolve a number of questions. Is a substantial running time involved and is the cost of this important? If yes, video scores. Must some of the shooting take place out-of-doors and in the church? If yes, film scores. Especially if the cost of equipment is a factor. Is it necessary to edit the finished material and perhaps add a well-created sound track? Film may be best if the answer is yes. Is the material to be viewed only by small family groups and not large audiences? Video triumphs for a yes.

Such criteria are for the amateur. For professional and industrial users, the pros and cons become more complicated. The first consideration will be how or where the material is to be shown. If it is to be viewed solely on television sets, without any need for large audience screenings, videotape will certainly be the first choice of production medium, unless special considerations apply (for example, need for very lightweight or inconspicuous cameras).

If the audience will be mostly congregated to large groups, or in scattered communities where even the existence of mains electricity is in doubt, film is almost certainly the inevitable choice.

Where cost or weight of equipment is a factor, film is generally much more suitable—whether for production or screening. Where cost of pro-

duction is a key issue, the choice between film and video is more evenly divided—regardless of many wild claims that video is an inexpensive production medium. If cost of distribution is an issue, video scores heavily because, for example, one hour of video cassette is substantially cheaper than film, considerably lighter in weight for despatch purposes, and likely to outlive film in wear and tear.

Professional users

For example, professional and educational users are essentially distribution-conscious—getting the message to the right audience at the right time as quickly and cheaply as possible, and here video is beginning to displace film wherever its other disadvantages are irrelevant.

Marks and Spencer have equipped all their stores with video playback machines for training purposes, replacing 16mm and slide equipment. Some schools are already preferring videocassettes to film, especially where pupil or student control of the viewing is more important than teacher presentation. And the lower cost of videocassettes is at last being recognised by some 16mm libraries, who are now offering them at a reduced rental fee.

One Swedish distributor even reports two new training titles—which are available on both film and video—as being more popular on video—a significant sign of things to come in the training business, where 16mm film distribution will be most vigorously challenged by video.

In some situation the two media co-exist and actually complement each other very well. Where film is preferred for production of a programme but video has the advantage for distribution, the film can be transferred to tape.

The converse is also possible, and this may be especially useful if the programme requires unusual special effects—which often can be accomplished on video better than film. But tape-to-film transfers, when projected on to a large screen, rarely have the quality normally associated with film.

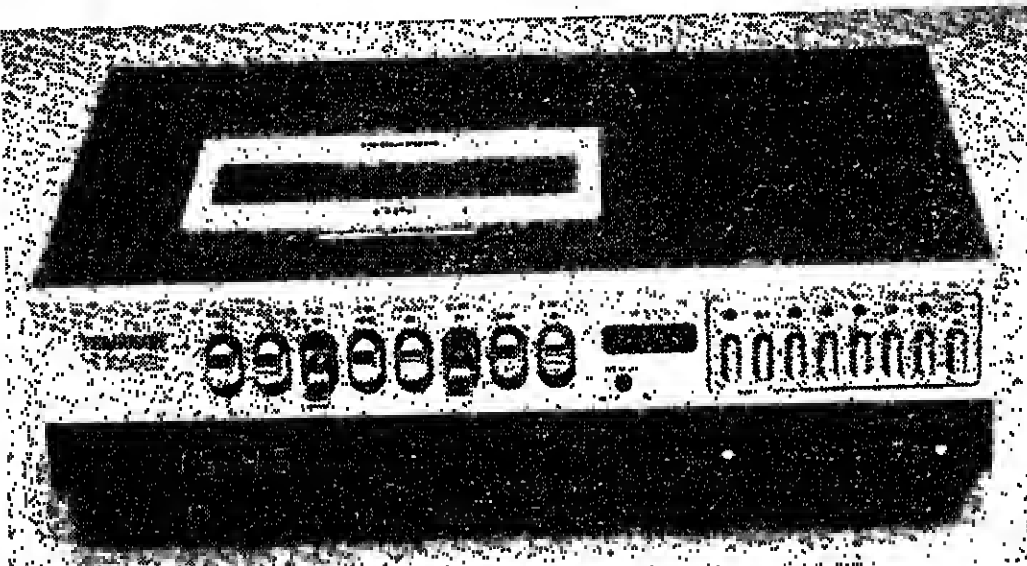
Other interesting possibilities include the use of video-to-film transfer for preparing 16mm copies of foreign language films. For economic reasons, foreign films required for 16mm distribution are often duplicated in the film laboratory straight from projection copies—a technically unsatisfactory method that yields poor quality. Addition of English subtitles, which is costly and rarely satisfactory on technical grounds.

If the projection copy of the film is transferred straight on to videotape, it is technically feasible to "inject" electronically generated subtitles which can be of superior quality to those created by photochemical means. The tape can be then re-transferred to 16mm film, using electronic control to also rectify quality problems in the colour and the image.

Such mutations of film and video have yet to be utilised in a significant way, but they exemplify how the two media can co-exist—even if the long term future for film must be inevitably overshadowed with obsolescence.



The HS-300 video cassette recorder (above, left) and the VS-500, 50" large screen television; both items from Mitsubishi Electric. Below: One of Ferguson's Videostar range of video cassette recorders, the 3V22. Its features include an eight-day timer and 24-hour digital clock. This model, which sells for around £500, is expected to be Ferguson's volume seller this year.



The JVC guide to armchair video.

A biased view from the inventors of VHS, the world's leading video system.

If you're planning a trip through the video jungle, you need a guide with a bit of experience. That's where JVC comes in.

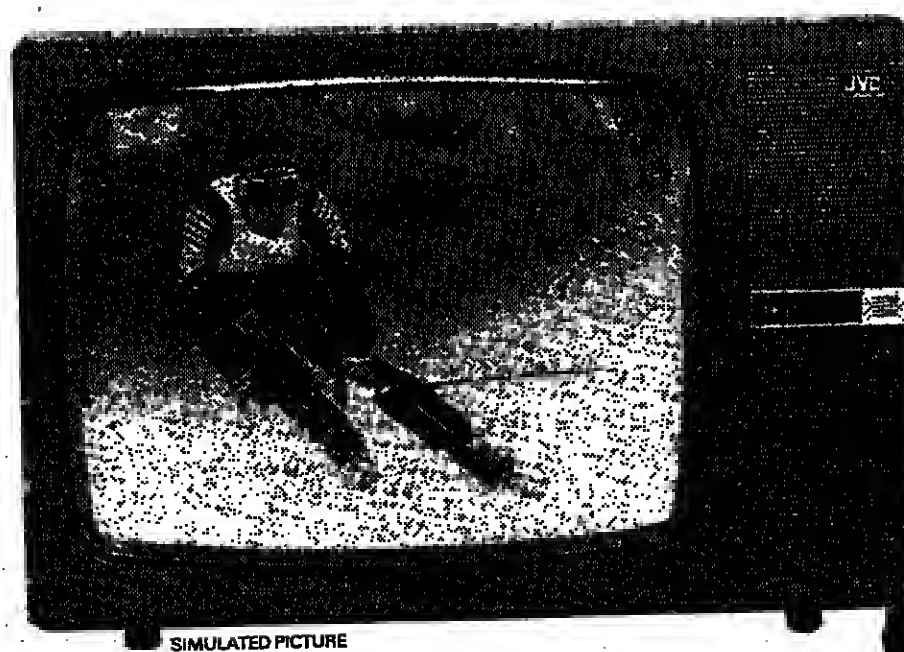
At JVC we don't just make video machines. We invent them. In 1976 we introduced the revolutionary Video Home System (VHS). 17 international manufacturers weren't slow to adopt it. Now VHS is the most widely used domestic system in the UK, Europe, Japan and the US.

And now JVC has the widest range of video equipment around...

Slow, slow, quick, quick, stop.

With its remote control the JVC HR 3660 allows you more video freedom than ever before. The adjustable slow-motion playback provides action replays at the speed you want. If you're looking for where the action is you can run through your VHS cassette at double speed and still hear what's going on. And you can freeze the action at any time with the 'pause'.

All you need now is a canvas chair with "Director" on it.



Of course, we haven't forgotten the other features that make JVC the video leaders. You can set the new JVC 3660 to record programmes up to 8 days ahead.

Complete and utter video.

The HR 3660 is just one of the JVC range. There is a superb HR 3330 and the revolutionary HR 4100—the first portable colour home video system. Now you can make your own TV programmes too. And JVC have the widest range of video cameras on the market.

Why not see for yourself at your local JVC stockist. Or fill in the coupon below.

To: JVC (UK) LTD, Eldonwall Trading Estate, Staples Corner, 5-8 Priestly Way, London NW2 7AF. Please send me further guidance in JVC video.

Name _____

Address _____

VHS

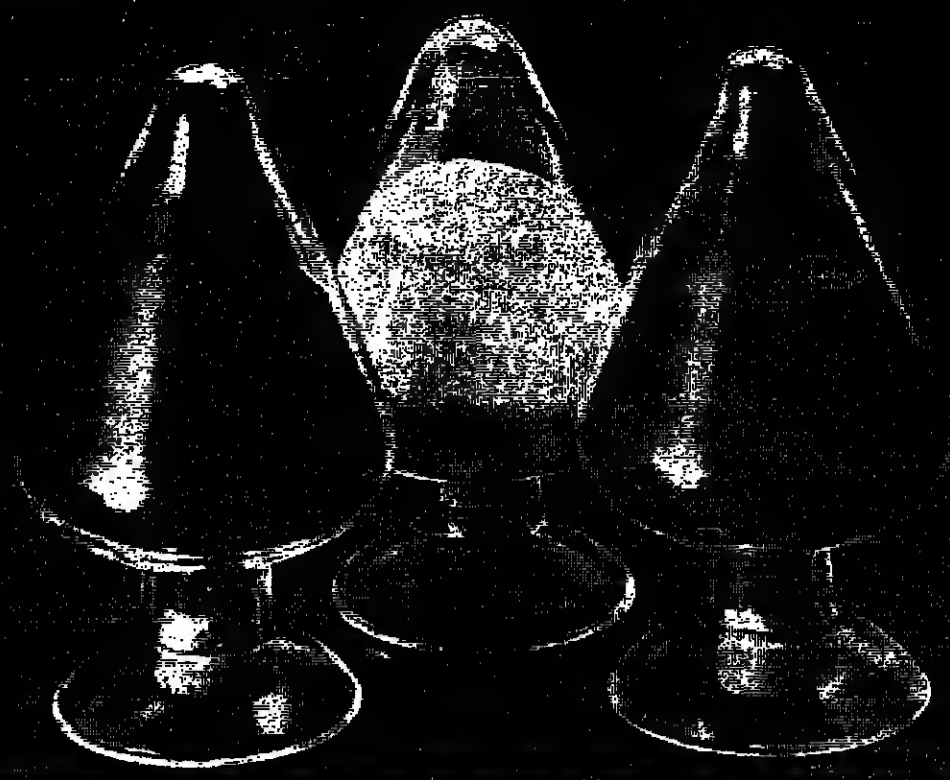
JVC

ANOTHER STEP CLOSER TO REALITY

JVC is the trademark of the Victor Company of Japan

TDK: Color Us Black, White and Brown

Color us black for ferrite, an indispensable magnetic material; we commercialized 45 years ago; white for capacitors and other ceramic components; and brown for the magnetic materials of recording tapes. These are the primary colors of electronics and the basic materials of TDK products. One of only a few producers of all three, we have used them to achieve balanced growth and a position of industry leadership.



AVILYN: A New Word for the New Video World



TDK helped launch the current home video boom by developing high-quality long-playing video tapes. In fact, the unique magnetic material technology involved in our Super Avilyn Video Tapes has been honored with prestigious awards in both Japan and America. Featuring extremely high coercivity and extended recording time, Avilyn tapes have become a worldwide favorite among VCR owners.

Avilyn tapes are another example of TDK's ability to grow by combining market awareness with technological expertise.

TDK has sustained a record of growth. Over the last five years, sales advanced at a compound annual rate of 19.4%, increasing 24.3% in fiscal 1979. Earnings per share have followed the same upward trend, rising 26.6% last year. For more information, write for our financial report and financial fact book.



Let us put you in the picture.

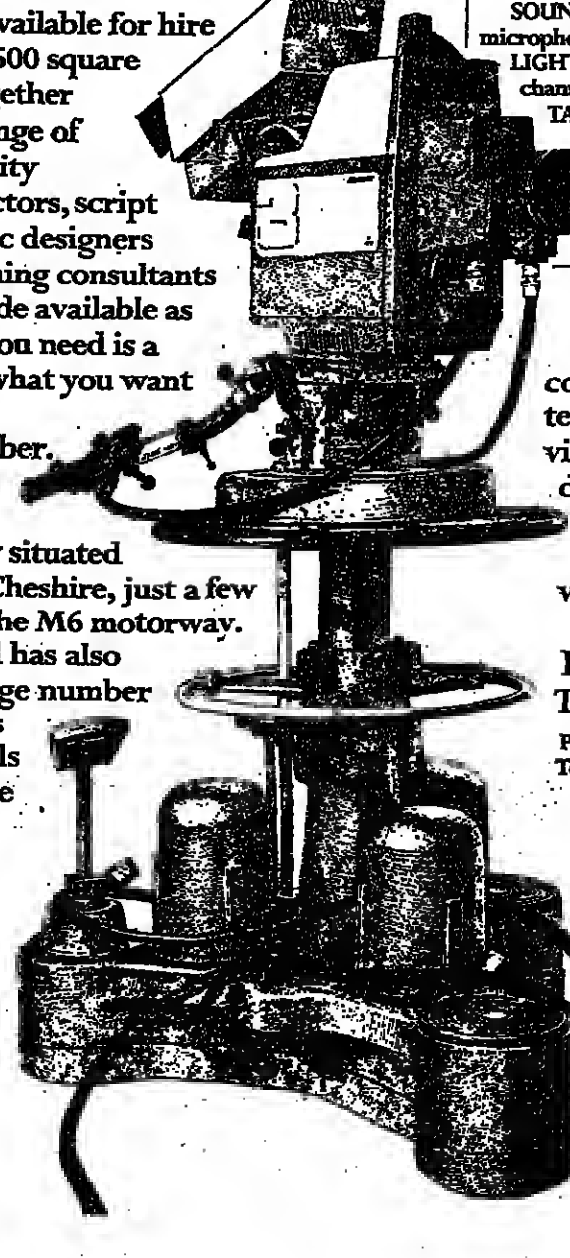
Without doubt, the biggest thing in communication today is the small screen. The way to get people to listen is to talk to their eyes.

Videotape recording has made it possible for you to put your message into a television programme that can be shown wherever you wish. And in the field of training and company communication, the Distributive Industry Training Board can help you to do it.

We have available for hire a 4-camera, 1,500 square foot studio together with a wide range of broadcast quality facilities. Directors, script writers, graphic designers and video training consultants can also be made available as required. All you need is a rough idea of what you want to say and our telephone number.

The DITB Video Centre is conveniently situated at Knutsford, Cheshire, just a few minutes from the M6 motorway.

The Board has also produced a large number of training aids on video, details of which can be obtained on request.



Technical Facilities.

STUDIO: Dimensions: Floor Area 1,500 sq. ft. Access: Up to 18 ft. high. Acting area fully covered by 12 ft. cyclorama.

CONTROL ROOM: With stations for director, production secretary, quality control engineer, vision and sound mixers. Viewing gallery for six observers.

CAMERAS: 3 x Philips LDH 20 with 10-1 zooms and Vinten pedestals. 1 x Shibaden FP 1000.

VIDEO TAPE RECORDERS: 2 x RCA TR600 Highband 2" Pad Quad.

TELEVISION: Quadruplex Philips LDH 16 Unit handling 16 mm and 8 mm film (optical or magnetic sound) and 35 mm slides.

SOUND: 10 Channel Neve mixing desk. Radio and boom microphones.

LIGHTING: Thorn 2PM 40 console with ten pre-set channels.

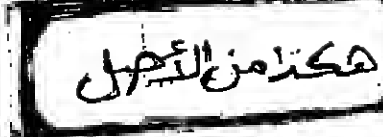
TAPE COPYING: Facilities for transfer to Philips, Sony U-matic and VHS video cassette systems.

CONFERENCE ROOM: With a seating capacity of up to 40. Fully equipped with 16 mm projector, video cassette recorders and monitors, etc.

DITB courses include a one day course for those who may appear on television as spokesmen, a one day video appreciation course and a three day workshop course on scripting and production.

Telephone for details of facilities, video aids and courses.

Distributive Industry Training Board Video Centre
Parkgate Industrial Estate, Knutsford, Cheshire.
Tel: Knutsford 52871



VIDEO AND FILM II

Japanese manufacturers dominate video market

THE MASS PRODUCTION of low-price (typically £550 retail) videotape recorders is a Japanese speciality. Indeed, in 1979 85.5 per cent of deliveries to the UK trade originated in that country. These were predominantly VHS (75.2 per cent) and Betamax (10.3 per cent) models for the household market in which Japan's sole competitors are Philips (Holland) and Grundig (West Germany) whose respective VCR and SVR formats totalled 12.1 per cent and 2.4 per cent of 1979 UK deliveries.

In recent years, the Japanese electronics industry also has begun competing seriously in the higher-price broadcast VTR market, hitherto dominated by Ampex and RCA (U.S.) and Bosch-Fernseh (West Germany). A similar expansion is visible in colour TV camera production, where a profusion of low-cost designs (£400 to £2,000) have been joined by studio and portable broadcast units.

Japan's concentration on electronics dates from 1948 when news of transistor technology capacity. After that, he will be promoted to a chief position with a few subordinates, assuming the duty of heading a research project from a broader viewpoint," he writes in a recent report.

understanding. Licensing agreements were signed with American semiconductor manufacturers in 1952 and the first Japanese transistor products appeared two years later. Transistor production in Japan rose from 6,500 units in 1954 to 27m in 1958. Hiroshi Takeuchi, chief economist in the Economic Research Division, the Long-Term Credit Bank of Japan, explains the rapid growth of Japan's electronics industry on the country's readiness to absorb foreign technologies (the rotary-head VTR was itself a Euro-American development), on "the diligence of Japanese engineers," and on social harmony within the workplace.

Adaptation

"A cleverly devised system has also been adopted to rotate engineers. In research institutes of large corporations, an engineer, until his early thirties, engages in small but innovative researches without managerial capacity. After that, he will be promoted to a chief position with a few subordinates, assuming the duty of heading a research project from a broader viewpoint," he writes in a recent report.

Speaking in May to a Royal Television Society audience, Sony Broadcast managing director Howard Steele attributed the success of Sony Japan to its being controlled largely by engineers, adding that "Beats counters do not make ideal managers." He dismissed any suggestion that individual productivity was inherently higher in Japan than in Britain, claiming that Sony UK's expanding colour TV plant at Bridgend, South Wales, was comparable in productivity to a largely British management with its Japanese equipment.

Steele echoed the commercial folklore that Japanese decision-making tended to be through collective if long-winded "pre-meetings" encouraging maximum involvement, but retaining (in Sony at least) the ability to react rapidly to changing competition.

Within KEF Electronics, a British loudspeaker manufacturer with a curiously commercial record, worker relationships are not seen as the key to Japan's industrial growth.

KEF managing director, Raymond Cooke, says: "Personally I think it is more likely due to a continuous and coherent government policy of encouraging

activity where there is the best chance of success. This policy has been continuous throughout various political changes in post-war Japan. Like education and health, industrial policy must remain outside politics."

Concluding on generalities, it appears that Britain lacks in 1980 a strong consumer electronics industry partly through loss of confidence in its own ideas (why was it left to Sony to pursue digital video, tape recording technology pioneered by the UK Independent Broadcasting Authority?), and partly because the video market in particular is too small to attract her interest.

THORN-EMI recently declared its intention of commencing video disc player production in Britain when or if it made economic sense. Rank, the British assembly company, will shortly commence assembling Betamax video cassette recorders in the West Country, the first UK VTR production line outside Chelmsford where Marconi recently began assembling C format broadcast recorders under licence from Ampex. Are these the first signs of a strong future British video industry?

David Kirk

The writer is editor of "Video."

Industrial video: the new company medium

LOW COST, speed, flexibility and high quality are the hallmarks which make video the first choice for internal communication within companies today.

To take a prime example: Reckitt and Colman annually releases an end-of-year video report, produced by SB Modules, which is shown to their 30,000 employees all over the world within hours of the figures being published. The inclusive cost was £27,000 or just under £1 per employee.

Compare this figure with the price of the printed annual report as issued to shareholders, which each employee also received. It cost £1.50 a copy. And, to give the video viewers the impression that what they were seeing was in every way the equal of what appeared on their television sets every night, the latest 39-minute video programme opened with a piece of computer animation in the modern manner.

Again, the acceptance of British Leyland's new policy by the workforce may be attributed partly to their readiness to use video as a communications medium. All 25,000 employees of Leyland Vehicles saw a 10-minute programme, made by World Wide Pictures in 24 hours, in which TV journalist Brian Redhead interviewed the chief executive, David Abell, on the Edwards' recovery plan.

The cost of the video operation was well under £5,000 and the dozen videocassette copies required were available the same afternoon as the recording. For those viewing points which were not equipped with video the tape was transferred to 16mm film of which 20 prints were ready for showing two days later.

But it is not only big companies, which count the number of their employees in five figures, that make video programmes about their businesses.



A company presentation, using a video projector. Organisations, large and small, are making increasing use of video equipment for internal communication.

Extel, which has diversified, and the total cost was just over £20,000.

World Wide also produce a quarterly video magazine for British Petroleum, called "Pipeline". Viewing by employees is voluntary and successfully encouraged by planting monitors in prominent positions—such as in BP's Britannic House in London, which continually displays a trailer for the programme.

An example

The North Thames Gas Board make some of their own training and internal communication programmes, often in the studios of Independent Television News, at a cost of between £8,000 and £12,000. "Some Faces of Finance," for example, was made to explain how the finance department deals with everything concerned with money from gas bills to wages.

The ICI Plastics Division's package "Minding Our Own Business" was originally made for their own workforce but is now available to industry generally through Training

Films International. It provides an explanation of general business principles.

Kodak saw this programme and decided it would be more helpful to their own employees than the others available on the same subject. But how could they explain that, although made for ICI, it was relevant to Kodak?

The answer was to get SB Modules to produce a special video programme, at a cost at today's prices of £7,500, showing a panel of six employees, who had seen the ICI programme, explaining why they found it helpful.

Another example of using video to influence employees' thinking was the programme "Cynnet, Guild Communications" produced for Shell. Titled "Word for Word," it explained what the introduction of word processors would mean to those who would be affected by them.

Most of the big suppliers of training materials—Rank, Millbank, the Central Film Library, Video Arts and Guild Sound and Vision—will supply videotape versions of programmes originated by film. These are often in Sony U-matic or Betamax format, though some of them have noticed an upsurge recently in demand for VHS format.

The Distributive Industry Training Board originates all its training programmes—and they cover a very wide field—on videotape. The DITB estimate that 70 per cent of their hirings (a total of 1,500 last year) go to their own industry and the remainder to firms outside the distributive trades.

Outright sales of tapes are another matter. But there is no doubt of the interest in videotape today. As Jim Lewis, sales manager of the visual aids department of the DITB puts it: "Two years ago I was fighting a case for sticking to the 16 mm film format—I wouldn't entertain that now."

Kenneth Myer

Big potential for disc systems

IT HAS been said that the Japanese communicate with each other by a process of osmosis. In the absence of an extensive vocabulary, but with written language, perhaps an extra sense of communication is necessary for them. In many ways, the promise of the video disc is similar, offering to Western society at least a new dimension in our understanding of communication.

The justification for this claim lies in the facility that video disc technology possesses for handling pictures with a fluency previously peculiar only to words and numbers. Suddenly, pictures become a potential extension to contemporary language.

Typically, a video disc system will offer its user a potential store of about 50,000 colour pictures on one side of a double-sided disc; each picture is instantly retrievable, and it is possible to programme the automatic retrieval of the pictures in any sequence required. If a picture is worth a thousand words in clarifying communication, what are 50,000 pictures worth?

This single picture facility of the video disc is, perhaps, the

most important feature of its technology. Yet it is also the least appreciated. The main thrust of video disc activity is geared to the release of movies and documentary leisure programmes, with for example, Jaws already available in the U.S. for under \$25.

Opportunities

The distribution of entertainment material on video discs is of course important, and promises to stimulate new opportunities for the media business, the hi-fi record industry and even broadcast television. The BBC, for example, hopes that the video disc sale of some of their television programmes will ease some of its financial problems.

Even with moving pictures on a video disc, the medium is unique when compared with other moving picture systems such as film and videotape. On a video disc, it is generally possible to freeze the movement, repeat any part of it over and over again, speed it up, slow it down, even analyse the frame-by-frame progression of the movement until it is

brought bursting back into full life again. It brings a fluency to the television screen that cannot be fully appreciated until some hours have been spent playing with the device.

These are some, but by no means all, of the characteristics of the video disc which will benefit users—whether in industry, education, science or the home. But before that benefit can be fully realised, some nasty commercial battles must be settled—principally between Philips, RCA and JVC (with a slight chance of local skirmishes created by Thomson-CSF).

As has been recorded repeatedly in the media in recent months, Philips, RCA and JVC each have different and non-compatible video disc systems. And behind each is a line-up of industrial allies, such as IBM, Pioneer, Sanyo and Sony favouring Philips, CBS backing RCA and Thorn EMI supporting JVC.

Technically, the Philips VLP system is superior to its main rivals, with a playback specification matching the high standards of broadcast television, a

disc which requires no special physical handling, and a technology which offers open-ended development (viz. optically-encoded discs which are read by a laser).

The rival RCA system depends on a system for physical tracking in the disc (whereas the Philips avoids any contact between disc and "pick-up" head). RCA's discs have to be contained in a rigid caddy to protect them from physical harm; and the system cannot at present provide freeze frame, slow motion, nor even stereo sound.

JVC's VHD video disc system lies somewhere between the other two. It uses similar technology to RCA's, reading its signals from the disc as variations in electro-capacitance rather than as optical modulations as used by Philips. This means that although JVC's tracking system is not mechanical, a stylus must still make some contact with the disc to read the signals. A caddy is also required for the disc.

JVC's system is inherently incapable of providing the flexibility of the Philips VLP.

CONTINUED ON NEXT PAGE

VIDEO AND FILM III

Growing applications in education

EDUCATION is one sector where acceptance of video has been slower than anyone was predicting ten years ago. Despite the undeniable advantages of the cassette and the fact that 80 per cent of secondary schools in the UK possess recorders, film is still the favourite medium for conveying any information involving movement.

Sceptical educationists even suggest that the term "video revolution" was invented as a marketing ploy. Certainly audiovisual manufacturers, gloomy generally about the slump in educational spending, report fairly healthy sales to schools of video recorders.

On the software side, however, the picture is very different, with educational film libraries merely dabbling in video. Although most now offer certain titles on cassette, they claim that demand for them is infinitesimal, while the few requests they do receive come mostly from higher educational institutions.

Technological developments in hardware have attracted so much attention that some aspects of video's practical application seem to have been overshadowed. Most schools don't yet regard their video recorder as a means of showing hired material, but purely as something which will copy and play back broadcasts which are incompatible with school timetables. In this way thousands of students are for the first time benefiting from broadcasts which are often of an admirably high standard.

Sometimes video recorders will be fully utilised in just this way. However, according to the SBC survey, those schools which are equipped with video have an average of two machines, each and this may not be enough.

Problems often arise when these are fitted in a "resources" or "television" room where it may not be convenient to take a class to view only a short programme. While recorders themselves are highly portable, large televisions are almost impossible to transport without a cumbersome trolley. So sometimes 16mm projectors may actually prove more portable, and given the advantage of



For professional and industrial users, the pros and cons between film and video are complex. However, for outdoor work, as above, film can have the advantage, especially if the cost and weight of equipment is a factor

being able to show to a whole class what on cassette would have to be played to separate groups or shown on several monitors, schools may choose film.

Often teachers' attitudes are responsible for lack of interest in pre-recorded cassettes. As one major distributor said, "Teachers have been using film for 40 years. Video is still in its infancy." Will it be there for that because schools have 16mm projectors they will use them until they fall apart or until celluloid disappears, or will they come to recognise the

distinct advantages both media can offer?

Perhaps distributors should confine their video titles to those where detailed study is important and then promote them heavily. Once they convince their customers that tape is for viewing, stopping, analysing, repeating and discussing in small groups, whereas films are intended to be shown from beginning to end usually to larger audiences, demand for video may soar.

Sales of pre-recorded cassettes will increase to higher education and local authority resources

centres, though it seems unlikely that schools will build up their own video banks until prices can be greatly reduced. Education is different from the domestic market in that turnover is rarely sufficient to keep the unit price down.

The UK Government's Central Film Library recently arranged to distribute programmes made by the Inner London Education Authority at a remarkably low rate. But the programmes were all made in ILEA's own television studios and if production costs were included in the charges, these would be significantly higher. It is becoming increasingly difficult for commercial producers and distributors to make a satisfactory profit on educational films.

Local schemes

There is also pressure from some local authorities to operate their own video licensing schemes. Some see this as financially disastrous for themselves and, in the long term, for education. If authorities manage to obtain very favourable licensing terms or pirating is carried out on a large scale, producers will not get a sufficient return to make more films. They fear this could mean the end of the educational film industry.

Possible answers are to shoot straight on to tape, which is not satisfactory in many cases; to sell video rights for so much that it does not matter how many versions are made or for how long they are kept; or to bring prices right down and aim at selling a very high number of units to individual institutions, who will not consider it worthwhile to copy.

It seems inconceivable that the educational film industry will collapse. Each generation of producer has felt threatened by new technology and teachers do not readily take to change. With the move by schools to the VHS video cassette format, more will be able to afford the hardware, so there should be a growing demand for the software.

Attitudes do change, even if slowly. The important thing is for producers and user to co-operate.

Ros Hawkins

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Impact on the Super 8 market

EVEN IN the early 1970s it would have been possible to visualise a very rosy future for Super 8 film. Although it filled only a narrow part of the moving picture spectrum, being used essentially for only small group viewing of functional programmes, it was beginning to shake off the image of its standard 8mm forerunner as a purely amateur game.

There was even a concerted effort to have Super 8 accepted as a professional production medium for industrial and educational films. It cost less than half the price of 16mm, the equipment was lighter and simpler to use and the increased image area of a Super 8 frame gave a creditable picture on a screen of modest size.

For Super 8, then, the timing of the dawn of the video age could hardly have been worse. Yet it would not be strictly fair to characterise Super 8 as an early victim of video.

The key lies in the versatility of video and the economic advantages which result from the spread of functions it can fulfil. Super 8 is consequently forced back more and more into the amateur market as video replaces film in institutional use.

The most powerful illustration of this trend is the case of General Motors in the U.S. In 1973 the company, in common with other motor manufacturers, decided to set up an audio-visual network among dealers to provide sales and training material. The Technicolor Super 8 cassette was adopted and GM and Chrysler bought a total of 25,000 back projection units.

Now GM has just completed a replacement programme, installing instead 11,000 Universal Pioneer optical video disc players, gaining a range of interactive facilities while saving on software costs.

A curious economic balance existed between video and Super 8 when the mass consumer market for video began to be exploited in 1976. The cost of producing 90 minutes worth of half-inch videotape programme, using non-broadcast facilities, was about a tenth the comparable cost of Super 8, but the video equipment cost 10 times as much to buy.

Since then, the balance has come down firmly on video's side. The price of Super 8 film has gone up by 46 per cent—including a recently announced increase of 22 per cent—while the cost of videocassettes per

hour is now only about a quarter of the 1976 price.

Equipment prices have also fallen dramatically as recording systems have become more sophisticated and more compact. Colour video cameras, little bigger than Super 8 counterparts, have come down in price to graze the top-of-the-market prices for film cameras, although a full portable video system will still cost upwards of £1,100.

Nonetheless, market analysts Macintosh Consultants expect portables to make up 10 per cent of the total UK video market next year. Expected sales of 25,000 units will exceed the number of Super 8 cameras believed to be sold in Britain each year. By 1985, portable video could reach sales of 110,000 units a year.

Home movie market

To emphasise this trend, two Japanese firms, Funai and Ikegami, have introduced new video recording systems. They are based on quarter-inch videotape, are designed specifically for the home movie market, and will sell at around £600.

One murky corner of the Super 8 market which has yet to be hit hard by video is the home movie. At present, according to one trade source, film outsells video by about 30 to one. But in the more legitimate field of selling theatrical feature films for home consumption, the videocassette shows signs of flattening the Super 8 market very quickly indeed.

For the price of a 20 minute Super 8 extract of a favourite movie, it is possible to buy the whole film on videocassette. Video discs, when they arrive in Britain next year, should be only a third the price of cassettes.

So if the institutional and home movie markets are being captured by video, what is left for Super 8? The hard answer is not a lot. Already trade in narrow gauge film equipment is suffering. Recent UK Customs and Excise figures show that the value of 8mm camera exports (never one of Britain's strongest points) declined by 60 per cent last year, and projector exports were down 34 per cent.

More significantly, imports of projectors declined in value by 8 per cent, not counting the effect of inflation. It is unlikely that Super 8 can now reverse the slow fade out.

The writer is editor, "Screen Digest."

David Fisher



Mr. Bill Fulton, managing director of Sony (UK), demonstrating a Sony optical video disc and player at a recent trade show. This was the first time that Sony had demonstrated the system in Britain

Disc systems

CONTINUED FROM PREVIOUS PAGE

such as freeze frame, slow motion, etc. But by providing an add-on microprocessor and frame store unit, this facility can be offered as an extra.

Technical parameters apart, cost and marketing strengths are major criteria in this battle. RCA's player promises to be the cheapest Philips (in the U.S. currently \$795) the most expensive. But JCV's add-on box will almost certainly raise the total cost of the combined unit above that of the Philips VLP.

Few would argue that, in technical terms alone, Philips have the best product. But the complicated issues of marketing alliances, manufacturing strengths, programme supply, prices, and sheer panache in launching a new product, may all contribute more to determining the winner than technology.

Philips are already on the U.S. market and their VLP should arrive in the UK in mid-1981. RCA expect to be next, with a U.S. launch in the first half of 1981. JVC will follow later in 1981.

The film industry eyes all this with a mixture of apprehension and expectation. Some see it as a challenge to conventional cinema-going; some as a new outlet for their product. Many

in the UK are ambivalent in the stance they take, trying simultaneously to reject video discs as a concept whilst keeping well in touch with developments. In the U.S., the movie business is showing greater involvement, with names such as 20th Century Fox and Paramount already committed to video.

Lower down the scale, the short film producers have high hopes from this new medium. Sprocketed film will remain for a long time the preferred method of programme origination for some video subjects, and anyway many of them are now equipped for video production too. Any medium which opens up a wider audience, thirst for material on subjects as varied as hang-gliding to motorcycling, is good news for the specialised producers.

On another front, the whole information storage and archival business will be thrown into turmoil by the potential of video disc, especially because it is not susceptible to ageing like print, film and videotape. The video disc is indeed a totally new medium, and possibly the ultimate one for recorded communication systems.

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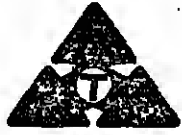
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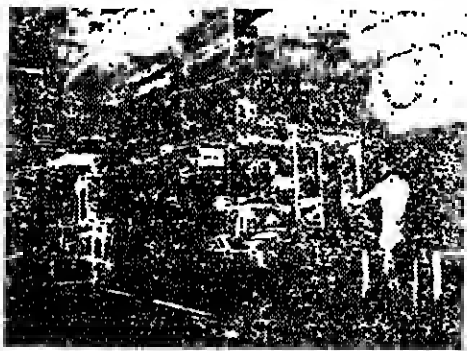
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VIDEO AND FILM IV

Wider scope in community media

ALMOST FIFTY years ago, the father-figure of the British documentary film movement, John Grierson, said that one of his central aims was to educate the emerging masses "in the complex and intimate drama of their citizenship." He wanted to use film as an improving medium, to make people more informed about the world they lived in and generally to enrich their quality of life.

The last decade has seen a new movement spring to life in Britain, employing what have come to be known as community media. Its practitioners exploited a whole range of media, such as poster printing, book publishing, drama, newspapers, film and video all in a community context. The aims of this movement have not been so very different from those which inspired Grierson.

Community media practitioners have wanted to improve the quality of daily life by making people more aware, but they have gone further than Grierson.

Instead of just making media products for people to consume, they actively involve ordinary people in the actual production process. Film and particularly video have played a prominent role in these activities.

Much criticism of modern society has focused its attention on the role of the audiovisual mass media of film and television. These critics argue that it is unhealthy for millions of viewers to sit isolated in their homes watching endless imported U.S. cop shows interspersed with glossy bubble-gum advertisements and news bulletins which distort and manufacture their own brand of news.

Community video and film practice is the antithesis of broadcast television. The bulk of it concerns intensely local issues—such as the closure of a local hospital, the need for more day nurseries, or the work of a battered women's refuge—and relies on the help of interested local people to make the film or videotape.

Some community media work can assume a more artistic slant—possibly the filming of a drama written by a group of unemployed school-leavers or a group of old age pensioners having a sing-song at their dinner club.

Small audiences

Using mostly half-inch gauge black and white portable video technology (generally known as portapak) and Super-8 home movie-type equipment, countless records of such activities have been made. Often these films and videotapes reach very small audiences, sometimes not many more than the group involved in making them. Barely would they ever be seen by more than 1,000 people over many screenings.

But community media activists who foster such work on a full-time basis would argue that the actual process of creating the product—expanding people's understanding of how media work and giving a sense of achievement as part of a team

—are as important as the numbers who see it, if not more so.

All of this activity has had to lead a hand-to-mouth existence. It is a new form of communication which has not happily and conveniently fallen into any existing pigeon-hole, thus guaranteeing a source of income.

The Arts Council of Great Britain invented a new category of arts funding in the mid-1970s called community arts which has supplied a limited amount of finance. But several observers have criticised the narrow definitions sometimes applied by the Arts Council and the regional arts associations.

The community tag has attracted a severely limited amount of cash from local authorities. Sometimes this has been channelled via the education department, social services, arts and libraries, planning, or even parks department. In Milton Keynes, the development corporation, in conjunction with the Post Office, set up an am-

bitious project in 1976 costing several hundred thousand pounds called Channel 40.

This was a local community television station, using cheap video gear, which aimed to make television programmes with local people's help. The station used a Post Office cable network to feed a few hours of local television each week direct to people's television sets in the new city.

Although initially the scheme promised to become the first full-scale example of community television, it faded out last year after the staff had mounted a campaign for greater community involvement which the management appeared not to want.

The more challenging film and video groups—sometimes they used both media and sometimes just one—have always found it difficult to survive economically. Their work, by its very nature, questions the status quo. It challenges safe, complex and intimate drama of their citizenship.

decisions. It criticises any government policy which increases unemployment and reduces welfare benefits. Subsequently it finds few backers—the odd arts body and the occasional charitable trust.

But it is because of its questioning spirit and its deep sense of participation that community media activity is worth supporting. It makes for a healthier society, because it provides all too rare opportunities for ordinary people to creatively communicate rather than passively consume. It may even help, in Grierson's words, to make people more aware of "the complex and intimate drama of their citizenship."

Graham Wade

The writer is co-author with Heinz Nigg of *Community Media*, published by Regenbogen Verlag, Zurich. Available in UK at £1.65 (including post and packing) from Blackthorn Books, 74 Highcross Street, Leicester.

More opportunities in training

THE IMPORTANCE of audiovisual aids in training is reflected in the proliferation of media courses aimed at the conscientious trainer, ranging from part-time diplomas at further education colleges such as the South Thames College in Putney, to intensive one-or-two day courses offered by training agencies such as the British Association for Commercial and Industrial Education or the various industrial training boards.

Courses may cover audiovisual usage or production—or both—for the trainer is often a producer of in-company training material as well as a purchaser of ready prepared packages and programmes. This dual role of user and producer has understandably led trainers to favour media which are both flexible and easy to use and prepare. Increasingly this means video.

A few months ago, Marks and Spencer decided to use video as the main medium for staff training, replacing the existing mix of tape/slide and film. Faced with the traditional difficulties of training part-time staff, the company believed that training sessions using video would be more flexible and easier to organise at short notice.

Another company to come to much the same conclusion was the Aer-Lingus-owned Tara Hotel in London. With 940 staff to train, the hotel's management regarded the switch from film and tape/slide presentations to video as one of "natural progression." The hotel's management decided to make its own internal training programmes rather than buy in commercially produced materials.

Again, flexibility is the key word. The management felt that internally produced materials could respond quickly to changes in the hotel's facilities, with training programmes being readily updated or remade as required.

Both the Tara and Marks and Spencer projects are based on a video equipment rental agreement made with Granada TV Rental. It provides a complete package for in-company video production and presentation. This neatly gets round the major problem still associated with video—that of a new technology which has not yet standardised its equipment.

Aside from group training,

there is also a strong trend towards the use of video as a self-teaching aid to individual study, particularly in new technologies such as computing. The London-based company, BIS, Deltak, has made a speciality of producing video based, "self-instruction" training courses in data processing and computer programming. User clients range from American Express to the Paymaster General.

Popular medium

However, despite the video invasion, film in the form of tape/slide still appears to be a popular training medium, whether as a complete programme or as part of a multimedia package. Like video, this medium has a certain flexibility.

Increasingly, professional producers are offering, as an extra, to insert particular company or product references into an otherwise mass-produced programme to give the impression of a tailor-made presentation. It is not unknown for training officers to perform this sort of programme manipulation themselves.

From this point the chain of development to the motion picture camera with its chemically processed photographic film and the television camera recording electronic signals on magnetic tape. But in fact both have a common ancestry and both involve essentially electronic processes.

In the 1830s the discovery of chemical reactions involving silver initiated by the action of light to produce photographic drawings formed the basis of photography as a method of image recording with vastly increased detail, but still limited to monochrome without movement.

From this point the chain of development to the motion picture camera with its chemically processed photographic film and the television camera recording electronic signals on magnetic tape. But in fact both have a common ancestry and both involve essentially electronic processes.

Improvement

This was later improved by coating three colour-sensitive emulsion layers on one strip, the colour film of today.

But the recording process of colour film is essentially an electronic one. The layers of a photographic emulsion contain electronic photo-sensors with self-generated semi-conductor memories, closely paralleling the solid state charge-coupled devices (CCDs) of the latest generation of TV cameras.

The basic sensor element in the film is a minute crystal of silver halide, a lattice of silver and bromine ions. When light falls on its surface photons are absorbed and mobile electrons released. At suitable points in the crystal the electron may encounter a mobile silver ion which neutralises it to form an atom of silver.

However, 16 mm film appears to be the domain of the professionals. Certainly there is no comparable number of 16 mm production courses vying for the trainer's attention. Last July, Rank Aldis spoke of British training film production as a boom business.

Both Rank and Video Arts, which between them claim to have some 60 per cent of the UK training film market, have been placing increasing emphasis in their productions on the use of star names from television. Penelope Keith sorts out problems of management organisation in *The Pursuit of Efficiency*, while John Cleese has built an entire business (Video Arts) on his television reputation. Latest Video Arts releases even feature an episode from "Fawlty Towers".

Inclusion of TV personalities, it is felt, not only adds an element of entertainment to the training programme but helps to create an atmosphere in which trainees can identify more readily with characters and problems at issue.

Boom business or not, how-

ever, professional production companies are increasingly hedging their bets on the film/video wrangle. The growing trend now is for programmes to be made available on both 16mm film and videocassette formats. Perhaps the last bastion to fall will be the programme showcases—the audio-visual festivals. A large number of people still believe devoutly that film looks so much better.

Christie Quinn

The writer is editor of *Training Digest*.

Comparisons in various recording systems

light intensity making up that part of the picture area. Development produces an enormous amplification through the initial order 90 db or one thousand million times.

In themselves the silver grains in the three layers of film are not coloured. But the process is designed so that developer molecules which have lost electrons can combine with another chemical in the emulsion layer to form a dye molecule around the switched crystal, again in proportion to the light intensity of the initial exposure.

Amplification

At a further stage, both the converted metallic silver grains and the unswitched halide crystals are removed so that the final picture is made up of three coloured dye images only. It is this selective amplification using electrons available from chemical reaction that permits the use of high information packing in the film. But separate amplification also precludes immediate play-back of a film record, despite the efforts of Polaroid to build chemical development into a film cartridge.

It is a tantalising thought that an exposed frame of cinematograph film straight from the camera already contains all its information in the form of a solid state device requiring only some form of retrieval for instant presentation. Is it possible that some future convergence of photographic and electronic techniques might allow the immediate scanning of the exposed but undeveloped film, to provide some form of immediate checking by way of a TV monitor screen at the time of shooting, leaving the final processing to the converted colour image to follow at the laboratory?

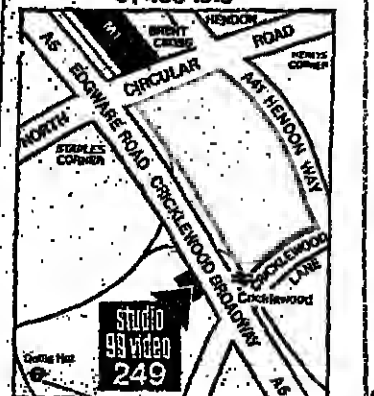
Would such a facility finally establish a common practice for both TV and cinema recording methods? Videotape is recognised as outstanding in providing immediate replay at the time of production, but the essential sequential scanning by line elements imposes a rigorous limitation on the amount of detail recorded. In addition, the problems of creative editing are often cited.

A studio discussion (above) during the making of the latest video training programme for staff of the National Bus Company. TV and radio presenter Brian Redhead led the discussion by inviting questions on the Transport Bill.

The programme, recorded by World Wide Pictures at Watford, will be seen by many of the 60,000 NBC staff throughout Britain, and various editions of the programme are adapted to suit regional needs. Earlier recordings have looked at driver training, staff induction and customer-relation topics.



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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



The man in the centre, Edwin Wells, had fingers in both pies: while on the staff of Morgan Stanley he was involved with Belridge during the Shell takeover bid. After moving to Warburg Paribas Becker he worked with Ira Wender (left), the chief executive of WPB, to plan the totally different strategy for Sun. They pursued Mark Millard (right) of Shearson, Loeb Rhoades, who was acting for Seagrams and Texas Pacific, to his holiday hotel in Rome in an attempt to outflank the competition.

The men behind America's mega-takeovers

UP TILL six months ago, the largest U.S. takeover, on record was General Electric's \$3.1bn bid for Utah International. Since then this figure has been topped not once but twice: by Shell Oil's \$3.65bn bid for Belridge Oil, and Sun's \$2.5bn bid for Texas Pacific.

These immense sums have obviously set new parameters for takeovers in the U.S. But they have also placed new demands on the skills and imagination of the people who put such deals together. Wall Street's investment bankers, and since these deals clearly mark the dawn of a new era in mega-takeovers, given the intense competition that now exists for oil properties, they are worth a closer look.

At one level, the Shell and Sun deals have a lot in common. Both are in oil, both involve large integrated companies acquiring new oil properties. And, possibly most important, they both required negotiators to make some difficult judgments about the value of oil in the ground, and the best time to buy and sell it.

Yet they could hardly have been assembled more differently. In Belridge's case, the investment bankers, who were Morgan Stanley, ran an extended auction and sold to the highest bidder. In the other, Shearson Loeb Rhoades did the exact opposite; they negotiated privately with a select group of would-be purchasers and their investment bankers, and struck an early deal.

The Belridge takeover was in many ways the most spectacular, though not necessarily the most instructive.

Belridge was a little-known Californian oil company owned principally by three families, the Greens, the Bucks and the Whitstons. Though Mobil and Texaco owned 18 and 17 per cent respectively, the families, whose principal members were advancing in years decided the

time had come to sell. Morgan Stanley, confronted with the problem of realising the best price for Belridge's oil properties at a time when soaring oil prices had thrown the market into turmoil, decided the wisest course lay in holding an auction.

And this appears to be what happened. Shell Oil's \$3.65bn winning bid not only greatly exceeded the \$2.5bn at which Wall Street had valued the deal, but Mobil and Texaco let it be known that they had bid only half as much—\$1.8bn. It is unlikely that they were runners-up. But the huge discrepancy between the publicised figures evidently caused Shell some pain, and obliged it to justify its bid by claiming that it could greatly increase production from Belridge's wells.

Shell's unhappy predicament could also discourage companies

from participating in auctions of this kind in the future.

The aftermath of the Belridge auction was untidy. Having lost the bidding, Mobil and Texaco (who were being advised by Salomon Brothers) mounted a vigorous publicity and legal campaign to obstruct finalisation of the deal, or at best to retain some kind of interest in the company based on their shareholdings.

Shell offered them the chance to buy back an undivided working interest in the properties, but at 110 per cent of the price Shell paid. Mobil and Texaco turned down the offer, and in the end dropped out of the fight.

This episode would have been no more than a messy aftermath to the whole takeover, were it not that the question of sellers' rights also cropped up in the Sun deal, though in quite a different form.

This deal came about when Seagrams, the \$2.5bn Canadian drinks company, decided to sell its Texas Pacific oil company which it had bought as an investment back in the 1960s. The soaring value of oil had caused its subsidiary to grow out of all proportion to Seagrams' other interests.

But like Belridge, Seagrams faced the problem of choosing the best moment to sell. And given the soaring value of oil, it also wanted to retain some kind of interest in Texas Pacific's oil properties as an insurance hedge.

So it decided to sound out the market by making a few discreet approaches through its investment banker, Mark Millard at Shearson Loeb Rhoades, to a select group of about half a dozen oil companies.

According to Millard: "We did not want an auction because we were more interested in the

shape of the deal than in the price. An auction commits you, and reduces your freedom of action."

Several companies responded to the bait, among them Sun, the U.S.'s 12th largest oil company, and one which has been trying to improve its oil production base. Sun quickly contacted its bankers, Warburg Paribas Becker, which is 20 per cent owned by each of S. G. Warburg and Paribas, and 60 per cent by the firm's American principals. The two agreed that this was a rare opportunity to acquire a large package of very attractive oil and gas properties.

By a coincidence, WPB had just been joined by Edwin Wells, an investment banker who at Morgan Stanley had helped Belridge put together its package. Working with Robert Hauptfuhrer, senior vice-president for planning at Sun, Wells decided the best strategy was to gather information about Texas Pacific as quickly as possible (Seagrams had set up a data room, but other information was available too) and put together a bid before other would-be purchasers had time to move. The bid would have a highly attractive price tag, and would contain firm proposals to allow Seagrams to retain an interest in the oil properties.

WPB decided the package would also have to be backed by a strong public relations campaign to emphasise the high price being offered, and present it as what is known in the business as a "bear hug"—a firm written offer that the recipient is obliged by securities laws to disclose. All this would make it very hard for Seagrams to turn it down.

Ira Wender, president and chief executive officer of WPB, explains: "We did not want an auction either. We were con-

cerned that different people might bid for different bits. So we were determined to put together an offer that would preempt all the others."

But just as the package was completed, Millard (who did not know what Sun-WPB were up to) went off to Rome for an Easter holiday. Undismayed, the Sun-WPB team piled on to a plane and tracked him down at his hotel where they presented him with the offer. Millard, who had said he could not accept offers until all the other would-be purchasers had time to get theirs together, was nevertheless impressed by Sun-WPB's persistence, and agreed (indeed was compelled) to announce the offer before Wall Street opened on the Monday.

There was one big condition to the Sun offer: that Seagram accept it within five days (with another 14 to attach it), and that it shut the data room to the rest of the field. Effectively, Sun said: "Take it or leave it."

The announcement caused consternation among those others interested, notably Mobil, which had been stung by its failure to win Belridge and was determined not to let another prize slip through its fingers. Mobil hurriedly put a counter offer together, but it was turned down by Edgar Bronfman, Seagram's chairman, because it had too many loose ends.

Sun had won. But had it, in its eagerness to clinch the deal, given away too much? The price was certainly high, particularly given that the package included provision for Seagrams to retain a 25 per cent interest in the producing properties and 49 per cent in the exploratory properties, once Sun had recovered the cost plus an agreed return.

WPB agrees the price is "full," but insists this was

fundamental to the strategy. It also says the financing of the deal has features which are much to Sun's advantage. Like Shell, Sun justifies its bid on the basis of the large amounts of oil and gas it expects to recover from the Texas Pacific properties. Sun also has the satisfaction of knowing that Mobil was prepared to bid an identical price and not half as much as it had for Belridge.

Clearly, the Belridge and Seagrams deals are not directly comparable. But some people believe they were more similar than they look. After all, Seagrams' strategy amounted to an auction insofar as several people were contacted and told that other buyers were interested. One person close to the deal even commented: "In fact, Seagrams held two auctions: one for ideas on the structure of the deal, and one on the price."

Sun-WPB's aggressive strategy is also an indication of what a determined bidder can achieve, even when the seller is still uncertain about who and how he wants to sell. Millard, a banker of no mean experience, commented: "I can't remember a deal of this order that went through so fast and so smoothly."

Ironically, Sun's success suggests that Mobil and Texaco might have done better with Belridge if they too had waded in with a "best shot" offer no one could refuse. As shareholders in Belridge, the two oil giants would have been well placed to act before any other would-be purchasers were fully aware of what was going on.

It is likely that this lesson has not been lost on Wall Street.

David Lascelles

Business courses

Word Processing Seminar, London, July 1. Fee: £75. Details from Conference Consultants, Epsom, Surrey, Middlesex, TW20 2BB.

Finance for the Non-Financial Executive, Slough, Berkshire, July 7-11. Fee: £900 (plus VAT). Details from: Urwick Management Centre, Baylis House, Slough, Berkshire SL1 3PT.

Trade Unions in the '80s—Challenge and Response, Henley-on-Thames, July 6-11. Details from The Administrative Staff College, Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU.

Micro Systems in Business, London, July 23. Fee: £65 (plus VAT). Details from: Office Conferences, Argyle House, Northwood Hills, Middlesex HA8 1TS.

Manufacturing Management, Brussels, July 7-11. Details from Management Centre Europe, Avenue des Arts 4, B-1040 Brussels, Belgium.

Protecting, Exploiting and Managing Corporate Intellectual Property Rights, Egham, Surrey, July 15-17. Fee: £320 (plus VAT). Details from European Study Seminars, Kirby House, 31 High Street East, Uppingham, Leicestershire LE15 9PY.

Causes and Symptoms of Company Failure, Bradford, July 23-24. Fee: £120. Details from University of Bradford Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

Pensions—Design, Financing and Benefits, London, July 23. Details from The Registrar Chartered Institute of Management Accountants, 40 Charterhouse Square, London EC1M 6EA.

BUSINESS PROBLEMS

Without prejudice

Could you please tell me, in a business document, just what do the words "without prejudice" signify?

The phrase without prejudice is used to denote that the statements and/or proposals governed by that phrase are not to affect in any way existing disputes or claims between the parties and that the document so headed may not be used in judicial or quasi-judicial proceedings unless and until any offer contained in that document has been accepted unconditionally.

BY OUR LEGAL STAFF

per cent of which 26.2 per cent was stated to be "wage settlement." A protest was made that this was outrageous but the only reply was that the agreement was a "national agreement between the engineering employers' federation and the union concerned." Obviously one remedy is to terminate the contract and go elsewhere but enquiries show that possible competitors are following the same principles and will not quote a substantially different contract amount—and there are not many possible competitors in any case, so the problem is: can any action be taken (and if so, how) under the Fair Trading Act 1973 or the Restrictive Trade Practices Act 1976? Or can pressure be brought to bear in any other way?

Maintenance contract

This company has a maintenance contract with a lift company for three lifts installed by that company. The contract is an annual one running from 1st October in each year, and provides for inspection once a month, a quarterly report and the carrying out of repair and maintenance indicated by the inspections. There is a rather obscure reference to "a pro rata variation" in the event of national or local wages agreements or other substantial variation in costs. Consequential increases are always revealed well after 1st October in any year but backdated to that date. In a letter dated October 31, 1979, warning was given of an increase which on January 31, 1980, was revealed to be 28.9

The statutes which you mention will not avail. Your choice lies between renewing the contract each year or finding a different maintenance company. However, it may be that the increment now suggested is not warranted on a strict application of the terms of the contract: in which case charges for past periods may have been overstated and might be recovered. If you terminate the contract you may be entitled to refuse to pay the increment but this will depend on the actual wording in your contract.

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LOMBARD

A showcase for British medicine

BY DAVID FISHLOCK

A WHEEZE which is kicking around the Department of Health in London deserves wider discussion than just among doctors and a few civil servants. This is the notion of an "export hospital" in central London, as a showcase for British medical technology as well as a British-owned centre for treating the sick from overseas.

The idea is that the export hospital might successfully compete with the private hospitals, often foreign-owned, now doing such a good trade in London, treating wealthy patients from the oil-producing nations. At the same time it would be showing them, under very persuasive circumstances, the best in British medical technology, from life-support systems to "square pads".

Small units

Medical technology is something Britain has been good at inventing but not often successful at selling. The industry, except for pharmaceuticals, is fragmented into many small units, some highly successful in a specialised corner but few of a size which can justify a major export drive. The National Health Service is too short of cash to be a generous patron of every promising new invention. Yet potential customers overseas invariably ask would-be exporters whether their wares are already being used in British hospitals, and are discouraged if the answer is no.

The most obvious form for the export hospital would be a joint venture of State and private-sector interests. The State would provide the hospital; several good ones in London are threatened with closure because of the city's dwindling population. The Westminster, for example, is both relatively new—1930s—and very central. The doctors, surgeons, radiographers, nurses, etc., would choose the technology, Private British industry would provide the equipment of their choice.

Its management would have to be strong and its objectives clearly defined. It would be competing out with the NHS but with private hospitals such as the Wellington, of world-wide reputation. There would be tough decisions to take, for example in choosing the "best buys" among rival British

equipment; and still tougher ones when the experts find they must reject all British offers in favour of a foreign product, if they are to provide the best treatment available.

Such a venture, involving private risk capital to the tune of perhaps £5m or £10m, would need to be protected against "renationalisation" for doctrinaire political reasons. Many hospital consultants are totally against private NHS beds. Once the NHS had released the chosen hospital—a move which in principle needs nothing more than a Treasury minute—the private sector must be assured that it would require nothing less than an Act of Parliament to secure its return.

For industry's part the question is whether anyone has the cash and courage for such a risk venture. The hospital equipment industry spans a very broad spectrum of products from the paraffin of any hotel to very advanced electronic systems. Of its more profitable sectors, the British drug industry could undoubtedly afford the venture but its involvement in equipment is peripheral at present. Private medical insurance is another possible patron but its own worries about insulating itself from the financial risks of the more exotic form of medical treatment may be self-defeating for a showcase of this kind.

Vickers' claim

A third possibility is that the Government might make a deal with one company willing to put together a consortium of public and private interests. Vickers still claiming substantial reparations for the nationalisation of its ship and aircraft interests, and with a medical engineering division it wants to grow faster, is an obvious place to start.

The private sector, before risking its cash, would need to satisfy itself that this was not just a politician's ploy for extricating the Government from the embarrassment of having to close famous London teaching hospitals. If it could be satisfied, the export hospital could provide a chieftain of purpose among the firms with the best British medical technology that no amount of enthusiastic cajoling from within has succeeded in doing before.

A FUZZLED question often asked about vintage wines is when will they be ready to drink? It is increasingly heard these days when the inability of merchants to afford to keep stocks of maturing wine almost indefinitely has obliged drinkers to acquire such wines early, even if still held in merchants' cellars.

Unfortunately, there is no exact time when a particular wine is at its best. Nor is this so regrettable, because one of the pleasures of drinking vintage, rather than non-vintage, wine is to observe its development.

Confidence

I sometimes admire the confidence expressed in wine merchants' lists with such comments as "keep another 18 months" or "drink in 1984". It is indeed useful to have some knowledgeable estimate of when a wine is likely to be reasonably mature; but there is no call to mark a date in next year's calendar, or to chart a critical path analysis for the next so many years' drinking.

It all depends, too, on personal taste. In wine-producing countries, they tend to prefer young, vigorous wines. Some years ago I suggested to a leading Sancerre producer that his wine, with its distinct Sauvignon

non grape "cut" was rather "green" when first bottled in the spring following the vintage; and mellowed a little with six-months' bottle-age. Not at all, he replied: the wine was at its best in the January after the vintage!

The Italians, Spanish and Portuguese all tend to like their red wines with a certain "backlash" stringency. But the French say that while they drink their fine wines too young, the English drink them too old. If the former generalisation is almost certainly true, the latter is surely not correct to-day, if it ever was. For now-days, when many wine drinkers do not have cellars, there are fewer old wines around outside the wine auction rooms. Moreover, commercial pressures encourage early drinking.

Yet most vintage wines of superior quality improve with keeping, white as well as red. For example, while Garman wines are often thought of as ready for drinking as soon as possible, estate-bottled wines of good vintage above this "quality wine" level certainly benefit from several years in bottle. The finer '71s, having shed some of their surplus sugar, are now drinking beautifully. So are the Cabernet '75s and '76s, yet the finer Spätlese and Aostlese varieties have still room for development. But

ordinary vintages, like '77 and '78, should be drunk.

The same considerations apply to white burgundies. All but the leading Chablis and Chalonais wines, such as Rully and Montagny, are best when young and crisp, but the fine Cote d'Or whites develop both

aroma and depth of flavour in bottle. So, if not already, the '76s will be available here, but it would be a pity to open such expensive wines before they are somewhere near their best, after some bottle-age.

Fine white burgundies are often drunk prematurely. Yet Sauternes benefits greatly from some years in bottle, while the late Henri Wolmer used to maintain that in good years his white Graves, Laville-Haut-Brion, should be kept for 10 years. The same would apply to Domaine de Chevalier, Haut-Brion Blanc and the small body of fine dry white Graves, but not to run-of-the-mill wines.

To forecast the development of many red wines is particularly difficult. The better vintage, often the more the uncertainty. It is not hard to conclude that '73 burgundies

and clarets are now generally ready for consumption, but when will this apply to the '78 burgundies and the '75 clarets? With burgundies the problem is accentuated by the wide variation in their production: some lightly vinified on the skins to make early-maturing

shorter life. But an imbalance of tannin in relation to fruit and sugar may result in wines that never entirely "come round". Among these must be counted the '52 Medocs, highly regarded initially. Also, although there have been some splendid '45s, '46s, '47s, '48s, '49s, '50s, '51s, '52s, '53s, '54s, '55s, '56s, '57s, '58s, '59s, '60s, '61s, '62s, '63s, '64s, '65s, '66s, '67s, '68s, '69s, '70s, '71s, '72s, '73s, '74s, '75s, '76s, '77s, '78s, '79s, '80s, '81s, '82s, '83s, '84s, '85s, '86s, '87s, '88s, '89s, '90s, '91s, '92s, '93s, '94s, '95s, '96s, '97s, '98s, '99s, '00s, '01s, '02s, '03s, '04s, '05s, '06s, '07s, '08s, '09s, '10s, '11s, '12s, '13s, '14s, '15s, '16s, '17s, '18s, '19s, '20s, '21s, '22s, '23s, '24s, '25s, '26s, '27s, '28s, '29s, '30s, '31s, '32s, '33s, '34s, '35s, '36s, '37s, '38s, '39s, '40s, '41s, '42s, '43s, '44s, '45s, '46s, '47s, '48s, '49s, '50s, '51s, '52s, '53s, '54s, '55s, '56s, '57s, '58s, '59s, '60s, '61s, '62s, '63s, '64s, '65s, '66s, '67s, '68s, '69s, '70s, '71s, '72s, '73s, '74s, '75s, '76s, '77s, '78s, '79s, '80s, '81s, '82s, '83s, '84s, '85s, '86s, '87s, '88s, '89s, '90s, '91s, '92s, '93s, '94s, '95s, '96s, '97s, '98s, '99s, '00s, '01s, '02s, '03s, 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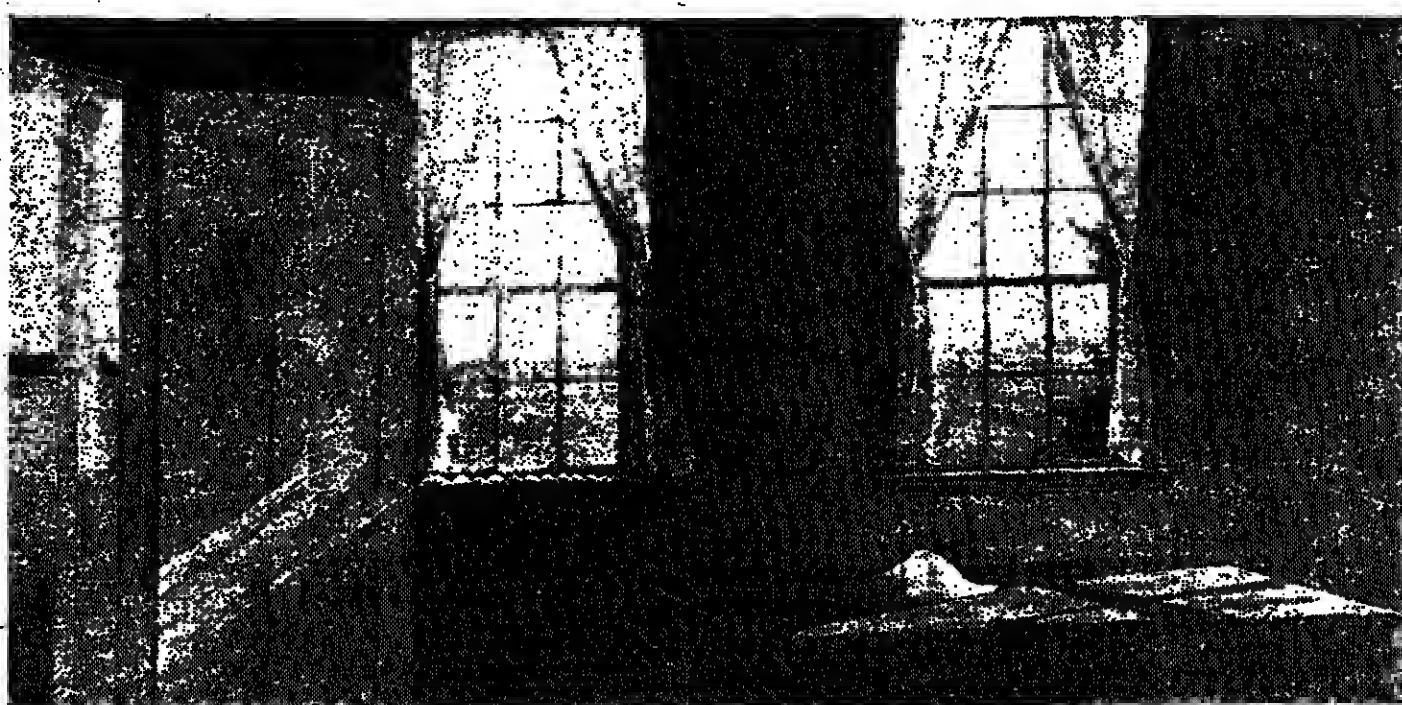
Royal Academy/Agnews

Andrew Wyeth by DAVID PIPER

Andrew Wyeth, at the Royal Academy till August 31, arrives with the somewhat perilous description of being "America's most popular painter." I take it to be accurate, and it is perhaps one reason why London, its critically fashionable galleries washed through over the last 30 years by the tide of revolutionary American abstraction, has remained ignorant of his painstakingly literal figuration. And yet one Wyeth image must be known in reproduction to thousands of British people, though few till now could have named the artist. An image of such formidable potency that, since then, it is unforgettable. Christina's World is that vision of a woman (young girl?), seen from the back, lifting herself on her hands as she lies at the bottom of a rising slope of brownish prairie grass; her attention seems directed at the steep-roofed wooden house silhouetted on the rim of the hill above. It is a simple image, this, summarily indicated in words; in the paint it is almost intolerably fraught with the sensation of longing, of loneliness, of emptiness, of striving against almost insuperable difficulties. And that for many people before they discover the girl is no young girl, but a middle-aged woman—one who Wyeth has painted many times—behind, the odd pose, awry in the grass as a bird with a broken wing—is because she has been crippled since childhood by polio.

As sharp an image as one could wish for, or be repelled by, of the Human Condition, yet its specificity as also the portentousness of its implications are not blatant and are not sentimental. No other image of Wyeth's has such universality. I must be excused for drawing attention to it, for it is not in the Academy exhibition—perhaps now already too precious to travel—but I do so to signal who Wyeth is. In fact, maybe just as well it isn't there; it would absorb too many people's interest to the detriment of what is there, and much of what is there is no less successfully realised through the impact on the emotions may be less emphatic.

Wyeth's America is a rural America of almost archaic quality—the grass, dried brown and brittle rather than green



'Her Room'—eloquent stillness and emptiness

and lush; battered clapboard houses standing about looey in the fields, sometimes abandoned. Bare scrubbed wood interiors, full of overflowing with emptiness and silence, the austere furniture elegant, well-worn and expectant yet ominous. An even, unemphatic light that is yet astringent, of the marine or the plain; the colour range tends to dull, almost dour, brownish rather than green; earth colours, scrubbed wood colours. No sky is blue, or at best only glimpsed, so normally filmed with grey cloud. The texture can be almost leathery, worked in the matt subdued medium of tempera, or in drybrush watercolour dragged over and through washes. The scrutiny thus recorded is close, endlessly patient, and with equal emphasis across the whole picture surface. It all sounds a bit dour, perhaps especially in context with the gold and white carved and coffered ceilings of the Academy's private rooms, wherein the pictures hang.

The ingredients may indeed be dour, the effect is the reverse—at its most successful, tingling, electric. The intensity with which the physical world is transmitted by a scrupulously accurate and minute technique

(his favourite painting is said to be Dürer's Horse) but the literal technique can produce a transcendental image. There is almost always some strangeness of proportion and quite often of scale; some exquisitely calculated asymmetry. In terms of which every day, worn (even worn-out) objects—boots, pails, people even—become charged with a force as if in the accumulating, hugely quiet tension before a thunderstorm breaks. The crest of a slope, high up against a narrow sky can become the rim of the world. The tension—one hesitates to call it surreal with the chatter of Dali almost audible from down river at the Tate—suggests the supernatural, but is most convincingly achieved when entirely natural—in the belling out of a thin curtain from an opened window; in the blaze of a single lit window in a house in the dusk; flank of a barn and gable end against the sky.

The more overtly spooky pictures can verge on melodrama—The Witching Hour, for example, brilliantly painted as it is, with the daring condensation of the window panes against the bluish dusk beyond; almost Gothic horror novel. I prefer the eloquent stillness and emptiness of Her Room: a fragile room, in a fragile wooden beach house, yet articulated with that elegance of plain proportioned woodwork and window pane; a shell rests on the table, and the room is as fragile and void as the shell,

and as full as the shell with the unheard rumour of the sea. Wyeth is still only 61, and—in spite of a long backlog of ill-health—obviously going strong. Sea Boats—a Maine shoreline equivalent of desert pyramids and camels—posits two worn-out thigh hoots standing at the foot of a triangular gable, and was painted in 1966; it makes among other things a marvellous poster. Nor is Wyeth necessarily dour: The Virgin, a nude of a 15-year-old girl, a typical affirmation of life, almost incandescent, is of 1960; its male counterpart, The Clearing, was finished only last year. Maybe Europe is now ready to discover the pre-abstract art of America, still generally classified as provincial variations on European traditional styles. Edward Hopper for example—with some qualities akin to and admired by Wyeth—should cause a stir. I suspect in contrast with Wyeth or Hopper, the critically fashionable surrealists, even the admirable Duane Hanson whose 3-D facsimiles of the tourist couple have just enlivened the Tate, might find themselves in danger of looking merely fashionable, in contrast.

Round the corner at Agnews (til August 1) a very different experience. The Portrait Surveyed provides an encapsulation of the history of British portraiture from the mid-17th century to the mid-19th—from Lely (in sumptuous if fairly routine Restoration full figure

form) to that most delicate, elegant and sensitive of followers of Sir Thomas Lawrence, Mrs. Margaret Carpenter (by whom notably three small-scale head-and-shoulders that are the most seductive in the show). On the way, Gainsborough, Reynolds, Wright of Derby, Romney, Lawrence himself, are worthily represented. The Gainsboroughs include a brilliantly fluent characterisation, relaxed yet alert, of Mr. Joshua Grigby in the mid-1780s, but even more attractively an earlier lady, one Elizabeth Uvedale, in the late 1750s, very upright but looking out at the young man she has permitted to paint her portrait with benign assurance; she has an astonishing green ribbon at her throat. There is one tremendous Reynolds, of a Viscountess Dudley, 1763, formidable in her robes as a woman-of-war dressed for battle; one imagines members of her family saluting it daily as they passed through towards breakfast. There is an outstanding Romney, painted with his usual panache, but with an unusual solidity combined with subtlety of character; a fairly massive and prosperous Scotchman, but with a hint of melancholy in the lips and the moist dark eyes. He is not quite what one would expect, and yet compellingly credible; he is James MacPherson, alias Ossian, whose poems—forged, pastiches?—lit the imagination of romanticism all over Europe, even Goethe's, even, more strangely, Napoleon's.

Tel Aviv/Jerusalem

Gregory Allen by DOMINIC GILL

The Artur Schnabel International Piano Master Competition was judged this year for the third time in Tel Aviv—and for the first time without the master himself on the jury, although he appeared at the subsequent Concert of Laureates to distribute the prizes. In Israel, music-lovers take their competitions seriously—and also (as they take their music generally) with a great deal of personal involvement and high spirits. At least 1,000 more people than there were tickets available besieged the Mann Auditorium on the evening of the competition's final round; and the faces of those left outside bore expressions not just of disappointment, but of the most graphic fury and despair.

I have always had doubts about the real value of music competitions—and expressed them several times on this page. The very premise is of course essentially unreal. Above a certain level, there are no "better" performers, just as there are no "better" composers: only different ones. And more important, by what criteria are the "lesser" judged?—by the plain virtues of brilliant efficiency, ease and conventional approach, the music-teachers' (for competition juries are traditionally composed completely of teachers) dream? Or by the more subtle and controversial virtues, much less palpable of definition, of originality, poetry, eloquence and fire—the thorn in the easy scheme of things, the music-teachers' nightmare? There is ever the chance that competition juries will play safe, and allow the evidently attractive and competent to pass in place of the real, dynamic and dangerous (but by its nature also fallible and vulnerable) talent.

But there is no doubt that a good competition can be exciting; and in an atmosphere of such public commitment and interest as was to be found in Tel Aviv, it can be more exciting still. In its repertoire the Rubinstein is possibly the most exhaustive, and the most taxing, of all piano competitions. By the time a contestant—the very word has a more challenging ring than "entrant" or "candidate" reaches the final round, he or she will already have played 16 different works in two recital programmes of more than two hours' duration and a concerto with orchestra; the final round itself is another concerto chosen from a possible list of 18.

Such controversy is all to the good—and serves its purpose splendidly to emphasise that in a competition there is never just one, "right" decision. But I will admit that in my cynicism, after hearing the three finalists play their concertos—two performances of Rakhmaninov's Third, and one of the Chalkovsky—I thought I knew exactly which pianist the jury would choose. Jeffrey Tozer (b. 1954) from Australia, who played the Chalkovsky, was a capable and worthy young pianist, but he was clearly not quite in the same league as either the Englishman Ian Hobson (b. 1952) or the American Gregory Allen (b. 1948). Hobson played his Rakhmaninov like a Golden Boy; the fingers could do no wrong; the music flowed from first to last with marvellous ease. The performance was in every note a music-teachers' dream par excellence; brilliantly assured—and strangely unmemorable.

Gregory Allen's account of the same Rakhmaninov concerto, on the other hand, was less reliable: quirky, powerfully original, often wildly unpredictable—and absolutely gripping. It had, especially, the most remarkable command of the idiom, capturing, without a trace of overstatement, all the massive currents of nostalgia and melancholy and bittersweet jubilation of the music. It was not merely a technically proficient, but also a technically adventurous, performance; a huge canvas of flashing colours and sudden surprises, unexpected conversations—made without whimsy or indulgence, held very true and firm. The decision of the jury—the spirit of Rubinstein must have hovered somewhere in the wings—to award the first prize to Allen was surprising and gratifyingly "right."

Two days later, he was invited by the Jerusalem Symphony Orchestra under Mendel Rabin—who had together been the competition's excellent and patient accompanists—to play Beethoven's Emperor concerto at their Independence Day concert in the Jerusalem Theatre. He was clearly tired; in the circumstances he could hardly have been less. But the performance was anything but routine, and never content with the easy, obvious gesture: to every movement he brought clarity and quiet insight, authority and excitement. His Emperor was impressive; but his short solo encore, of Brahms's E major Intermezzo op 118, a tender song of resignation, was the purest magic, and whetted the appetite greatly for a solo recital. Allen has not yet played anywhere in Europe; he must come to London soon.

Gregory Allen's account of the

Museum of the Year award

The Natural History Museum in London has been chosen as Museum of the Year for 1980. The contest is sponsored by The Illustrated London News and National Heritage, and the museum received £2,000 and the trophy, a porcelain sculpture by Henry Moore.

The result was announced in London yesterday by Lord Charteris of Amisfield, chairman of the Trustees of the National Heritage Memorial Fund, who presented the award to Dr. R. H. Hedley, director of the British Museum (Natural History).

An award of £1,000 for excellence within the field of fine

Warehouse

Educating Rita

by MICHAEL COVENEY

The RSC Warehouse is revealing an unhappy knack of eliciting bad plays from good young playwrights. A policy of good intentions is not enough. An imperfect large-scale play by Rita Kesteven recently ruined in production. Now we have a predictable two-hander from Willy Russell, one of the new Liverpool school, who wrote a fine comedy last year and the hit show about the Beatles in 1973. In between, he has written for TV and the Liverpool Everyman. He needs encouragement on big stages, and a flop at the Warehouse like a hole in the head.

Even though plotting has never been Mr. Russell's strong point, I think of his work as Alan Ayckbourn with a hairy chest and a hang-over. Shooting his blowy Liverpool line this time is a 26-year-old frustrated housewife seeking escape through the Open University. Where the playwright is most sympathetic is in his passionate enunciation, through Rita of education as a fundamental human right, at least in our comparatively deprived society. It is refreshing to hear something like this stated with authenticity and not plastered with fake fantasy tricks.

Rita's Svengali is an alcoholic redbrick English lecturer who admires her instincts in preferring Harold Robbins to E. M. Forster but teaches her to write essays in the hollow academic style he despises himself for propagating. This area of the piece is truthfully handled by Mr. Russell, an ex-teacher, but the point is laboured through a series of confrontations that begins to wear thin as soon as Rita starts asserting her cultural self-awareness. She is breathless

after a performance of *Macheth* and more or less gaga after a few late-night sessions discovering Blake. Sporting a silk shawl after the interval and proud of the fact that she has spoken to some real students, Rita, in short, is not a very convincing product of the Welfare State's valuable contribution to cultural and social mobility.

Rita's solution to the problems of staging *Peer Gynt*—do it on the radio—could apply to the play itself. It has little dramatic invention or momentum and is

not helped by a faceless characterisation of the lecturer by Mark Kingston. Julie Walters, however, is tremendous as Rita, supplying her own magnetic field which she confidently occupies with a carefully controlled but seemingly impetuous series of physical gestures and pent-up energy. The director is Mike Ockrent, a director who should be doing weightier work with the RSC and pushing Mr. Russell into larger areas not confining him to the unambitious studio format.



Julie Walters and Mark Kingston

Business sponsorship of the arts

It is widely believed that industry spends between £4m-£5m a year sponsoring the arts in the UK. This is the figure quoted by the Association for Business Sponsorship of the Arts, reached on the basis of admittedly skimpy research, and reiterated, with some hedging, by Mr. Norman St. John Stevas, the Minister for the Arts, last week when he announced the formation of a committee pledged to double the expendi-

ture within a year through an energetic propaganda campaign. Now comes evidence that the Minister's committee faces an even greater task. Three masters degree students at the London Business School have produced a comprehensive and well-argued paper which suggests that business gives no more than £2.5m a year to the arts, or £2.5m if donations for capital projects are included. The total was calculated by discovering what the 1,000-client organisation of the Arts Council

received additionally from business, supplemented by a questionnaire to 100 leading companies. There may be some seepage in the total—donations to local arts festivals, for example may have been unlisted—but it does seem that industry helps the arts much less than had previously been thought, and that the Government's aim of creating two parastatutory public, the other the private sector, has a long and arduous task ahead of it. A.T.

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LEGAL NOTICES

IN THE MATTER OF
ALAN NEEDS SPORTSWEAR LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above named company, which is being voluntarily wound up, are required, on or before the 21st day of July, 1980, to send in their full and true claims, with their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Stephen Donnell Swadlow, FCA, of 3/4 Bentinck Street, London W1A 3BA, the Liquidator of the said company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or, in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated the 10th day of June, 1980.
S. O. SWADLOW, Liquidator.

DAVID L. SPORTS
(MANUFACTURERS) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 235 of the Companies Act, 1948, that a meeting of the creditors of the above named company will be held at the offices of Leonard Corrie & Co., situated at 3/4 Bentinck Street, London W1A 3BA, on Monday the 22nd day of June 1980 at 12 noon, for the purposes provided for in Sections 234 and 235.

Owing the 9th day of June, 1980.
A. MILLER, Director.

PUBLIC NOTICES

SEVENOAKS DISTRICT COUNCIL
£250,000 Bill offers £15.00 per year
£15.00 due £15.00 at 15.00p
£15.00 due £15.00 at 15.00p
£15.00 due £15.00 at 15.00p
£15.00 due £15.00 at 15.00p

COMPANY NOTICES

OLC
US\$30,000,000

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The temporary Global Note was exchanged for the definitive Notes on 9th June, 1980 at the offices of Morgan Guaranty Trust Company of New York in accordance with the terms of issue.

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EUA 20,000,000 9 1/2% 1975/1985 BONDS

Pursuant to the provisions of the Purchase Fund notice is hereby given that nominal UA 163,000 have been purchased for the Purchase Fund during the twelve-month period commencing May 28, 1979.

Amount outstanding: EUA 19,837,000

COPENHAGEN TELEPHONE COMPANY, INCORPORATED

June 17, 1980.

CHILEAN EXTERNAL LONG TERM DEBT

Law No. 2962

MUNICIPALITY OF CONCEPCION

NOTICE IS HEREBY GIVEN that for the purpose of the above named law for June 1980 bonds for a nominal amount of \$500,000 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption at par or at 105% June 1980 after which date the interest will be paid.

5 bonds of \$100 nominal value each

1157 1179 1456 1462

These bonds should be presented at the Municipal Office of Concepcion, Chile, and must bear all coupons subsequent to 30th June 1980 otherwise the amount of the missing coupons will be deducted from the principal amount.

CHILEAN EXTERNAL LONG TERM DEBT

Law No. 2962

CITY OF ANTOFAGASTA

NOTICE IS HEREBY GIVEN that for the purpose of the above named law for June 1980 bonds for a nominal amount of \$500,000 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption at par or at 105% June 1980 after which date the interest will be paid.

10 bonds of \$100 nominal value each

38 325 331 332 345 366

These bonds should be presented at the Municipal Office of Antofagasta, Chile, and must bear all coupons subsequent to 30th June 1980 otherwise the amount of the missing coupons will be deducted from the principal amount.

BASE LENDING RATES

A.B.N. Bank	17%	Gulnarg Mahon	17%
Allied Irish Bank	17%	Hambros Bank	17%
American Express Bk.	17%	Hill Samuel	17%
Amro Bank	17%	C. Hoare & Co.	17%
Henry Ansbacher	17%	Hongkong & Shanghai	17%
A.P. Bank Ltd.	17%	Industrial Bk. of Scot.	17%
Arthurthor Latham	17%	Rever's Ullmann	17%
Associates Cap. Corp.	17%	Knowlley & Co. Ltd.	17%
Banco de Bilbao	17%	Langris Trust Ltd.	17%
Bank of Credit & Comm.	17%	Lloyds Bank	17%
Bank of Cyprus	17%	Edward Manson & Co.	17%
Bank of N.S.W.	17%	Midland Bank	17%
Banque Belge Ltd.	17%	Samuel Montagu	17%
Banque du Rhone et de la Tamise S.A.	17%	Morgan Grenfell	17%
Barclays Bank	17%	National Westminster	17%
Bearer Holdings Ltd.	17%	Norwich General Trust	17%
Brit. Bank of Mid. East	17%	P. S. Refson & Co.	17%
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Grindlays Bank	17%		

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Tuesday June 17 1980

More signs of UK recession

THE STRIKING improvement in the UK current account for May is the expected pattern in a recession, and indeed the 5 per cent drop in import volume is perhaps the strongest evidence yet of the pace at which recession is now getting a grip of the UK economy. The celebration which continued space in the securities markets is, however, a paradoxical way to mark a deep recession. Although it is true that recession promises certain notable consolations, in terms of interest rates and the rate of inflation, the celebration may prove premature.

Unambiguous

The trade figures, at least, are unambiguous. The £32m current account surplus is the first positive figure which has appeared in eight months, and is itself an understatement of what happened in the underlying trend in May. Had it not been for the steel strike, the surplus would have been more than £100m bigger, according to the official estimate; and in addition, the more erratic items — which are on average in broad balance — reduced the underlying surplus by another £70m.

Even allowing for the dangers of reading too much into a single month, and far the fact that import volumes are likely to recover somewhat when stocks have been reduced, the improving trend in unmistakable. There is little comfort in the export figures, which remain flat, but industry can draw some consolation from the performance of sterling. The pound did not rise on the unexpected trade improvement; manufacturers can still hope that falling interest rates will ease foreign exchange pressures on their margins.

It is, of course, the hope of falling interest rates which is inspiring the stock market; but here greater caution is in order. As the Prime Minister has recently emphasised, interest rates will not be allowed to fall until there is clear evidence that the Government's monetary objectives are being achieved. The recent news on the monetary front, unfortunately, has been poor, and there may well be more bad news to come before the tide turns.

Indeed, even the trade figures have their bad side. The banking figures last week were accompanied by an official estimate that the money supply had grown by 2 per cent in May, and the trade figures may

suggest part of the reason. The money drained out of the economy through a weak current account has in fact been helping to reduce the growth of the money supply for many months, and it is especially in an improvement in the current account, it will not have much effect on the money figures. Nationally, we are borrowing less, but spending less too.

The market may well feel that in spite of this, the boom in sale of Government stock must be mopping up surplus money; but not even this is certain. The most aggressive buying last week is reported to have come from foreign — and notably American — buyers, and the British institutions joined in to some extent against their better judgment. It must be remembered that sales to foreign holders of sterling balances, and to British banks and discount houses, do not affect the money supply; it may be some time before the stock is sold on to British non-bank investors, to produce the figures the Government is waiting to see.

Meanwhile, there are other adverse forces at work. Government disbursements still appear to be abnormally large, to judge by money market conditions; and tomorrow the banking "corset" will be abolished, which may add as much as 2 per cent to measured monetary growth.

Tangled story

This tangled story suggests a number of morals. The first is that the official measure of money, Sterling M3, is defined in rather an unfortunate way. Because it is so sensitive to the balance of payments, and in addition has been distorted by official controls, its growth is likely to appear excessive for some time after other measures of money and credit growth are falling as a result of recession. It may be helpful to give more attention than before to alternative measures of money.

The second moral is that monetary control is a problem when it relies heavily on sales of securities, which appeal strongly to foreign and financial investors. The Government is already testing some alternatives — such as the mobilisation of private capital for energy investment. It should try harder. Misleading technicalities should not be allowed to rob the economy of the meagre consolations of what threatens to be a very painful recession.

What to do with coal

IT IS THE misfortune of Britain's coal industry that it is capable of stirring deep political emotions. In this afternoon's parliamentary debate on the Coal Industry Bill, it is all too likely that both the Government and the Opposition will spend more of their time trotting out doctrinaire hobby-horse than thinking constructively about the long-term future of what will be Britain's most important energy industry in the next century.

The Government's exclusive preoccupation with making the National Coal Board break even by 1983-84 — a target which seems unlikely to be attainable on present trends in demand, output and prices — is matched by the Labour Party's even more single-minded desire to preserve at all cost the work of the industry, which largely accounts for the coal industry's uncompetitive prices and continuing losses.

Subsidies

The Government's determination to eliminate the NCB's operating and regional subsidies by 1983-84, from a level of £255m in the last financial year, imposes a very tight timetable on the financial arrangements which the industry should undoubtedly be required to produce once the benefits of its current investment programme start to emerge. Unfortunately progress on the Plan for Coal, drawn up in 1974 to revive the industry, has slipped well behind schedule, partly because of planning delays. It is now expected that the target of 135m tonnes originally set for coal output in 1985 will be attained only by the end of the decade. Since the new mines being opened under the Plan for Coal are planned to produce, on average, four times as much coal per man-shift as existing collieries, these delays are bound to have an enormous impact on the NCB's financial performance.

Until the new mines, and the 87 existing collieries which are being expensively but slowly mechanised and refurbished, begin to make a substantial contribution to coal output, management will have only two options in striving to meet the

Government's break-even target. It will either have to accelerate the closure of uneconomic pits or to raise prices.

The Government has pointedly refused to give any indication of whether it expects the NCB to bring forward its programme of pit closures. Indeed, it has even asserted that "there is no question of a closure programme or a list of collieries which are to be closed." It has simply stated that it is for the Board to decide how to turn the industry around within the Government's framework.

The Board would certainly like to close pits more rapidly than was acceptable to the Labour Government and the generous transfer and redundancy terms provided in the Coal Industry Bill should assist them in doing this. However, the Board is also anxious to maintain the improvement in its relations with the National Union of Mineworkers, and not to run down its manpower too rapidly, in view of the future need for miners to work in the new and expanding collieries.

Relative costs

The Government should understand that the tighter financial disciplines it is imposing on the nationalised industries generally, and the coal industry in particular, will only succeed in improving efficiency and aiding Britain's economic recovery if the cost of these disciplines is not passed back to the consumer. In the case of coal, a Government policy which encourages overpricing would be particularly damaging. Decisions on energy use which will be made on the basis of relative costs of coal, oil and gas over the next few years will have major long-term consequences for Britain's energy needs. If coal is to become established in the next century as Britain's main industrial fuel and if its subsidies as a gas and oil substitute are to be fully reflected, and to be fully reflected, and preferably wider, its price differential relative to oil. The Government must beware of the temptation to squeeze Britain's biggest energy asset for maximum short-term advantage.

Industry is in two minds about the policies Mrs. Thatcher is pursuing. John Elliott reports

Some will take the medicine but none like the taste

THE PRIME MINISTER sat in the Boardroom of one of her Government's more successful state-owned shipbuilders, hearing at length about how high exchange rates were crippling the yard's export efforts. She eventually responded by asking her surprised and horrified hosts whether they couldn't offset the costs by buying more for their ships from abroad.

This story of Thatcherite industrial economics was told after her visit to Austin and Fickens on the North-East coast and is now being re-told by industrialists as an example of how innocent and ignorant the Government is about industry and the economy. It is helping to sow the seeds of possible eventual revolt among some of the Prime Minister's loyal voters in the top echelons of industry, where there is already mounting concern about the impact of the Government's policies.

"There is a real danger of running industry down so much that it won't recover," one company chairman, a life-long Conservative, told me. "If we go to 24m unemployed, we'll not solve the problems in the way the Government hopes, but will create others. The line must be softened a bit so that one keeps one's industrial core as a spring board for recovery. Our assets are not only our machine tools valued at a few

'There is real danger of running industry down so much it won't recover'

million pounds but our skilled workers who are scarce enough and who won't return once they've been sent away."

After the euphoria of the first months of Conservative rule, many such people are now openly wondering when they let themselves in for when they enthusiastically helped the Government to power 13 months ago. They complain that there was nothing in the general election manifesto about removing the country's industrial base. Some are so disillusioned that, when asked how they would vote if there were another election tomorrow, can only mutter unhappily about the impossibility of supporting "the other lot."

Yet the Prime Minister and the economic hawks in the Cabinet need not panic. Despite all the clamour from the CBI and some individual company chairmen about the crippling impact of high rates of interest and exchange, and despite the growing tide of bankruptcies and redundancies, there is still considerable support among many middle and top managers for the pressure on industry to be maintained. The loudest cries of protest inevitably come from those companies which have been hardest

hit by government policies. Elsewhere initial questions reap outspoken answers about how interest and exchange rates must come down immediately. But gradually, as one's conversation becomes less formal and the question is repeated and discussed, many managers admit that the Government's policies are helping their efforts to improve efficiency.

Some industrialists say that they, and the managers for whom they are responsible, feel stronger because their own status has been improved since the change of Government and because trade unions are demoralised. Economic realities are beginning to be understood in some companies, and overall the climate is right for labour forces to be slimmed down and economies introduced.

While this view is not held by everyone, it is sufficiently widespread for the Government to continue to stand firm on its policies for a little longer — maybe till the autumn. But this is conditional — so senior managers say — on their feeling that they have an understanding and sympathetic Government. They want more finesse than Mrs. Thatcher showed in the shipyard boardroom and they want to be reassured that the Government will relax the pressure on companies by lowering interest rates before too much permanent industrial and social damage is done. They also want more help, including some form of trade protection, when doing business abroad, and many would like the Government to "stop playing cricket and learn to bend the rules," of EEC trading.

These impressions have been built up during conversations with a wide range of industrialists, and especially during a four-day tour of the north-east which has always been one of the country's most depressed areas but which now presents the visitor with some glimpses of potential prosperity, despite the troubles of the steel and shipbuilding industry and despite unemployment rates approaching 20 per cent.

Indeed, some of the brightest spots in the north-east are the shipyards where managers and workers have looked over the cliff-edge to industrial oblivion and are now working together to try to win orders, to improve productivity and to secure themselves a future. Whether they will succeed is still an open question because they are suffering from a number of problems including the uncompetitive exchange rate, declining State aid, limited industrial investment, stricter financial limits, and a lack of Ministry of Defence orders, as well as the world-wide merchant ship-ping recession.

But a visit to a shipyard is no longer the depressing ritual of the past when one was regaled with warring tales from different groups of workers and management. Now a visitor is sometimes told about the over-



bearing head office of British Shipbuilders or about unsympathetic Ministers. But, basically, managers and workers approve of their present nationalised existence, realise they must combine to fight for the preservation of jobs, and argue about their differences in a constructive atmosphere.

"We're beginning to realise we need each other, that we can't go it alone any more," a shop steward from the elite boiler-makers' union told me at Sunderland Shipbuilders.

The shipbuilding industry has been facing its own problems, including its world-wide recession, for some years. However, other industries are only just beginning to experience such severe pressures and the potential seriousness of industrial depression has struck home hard during the past few weeks.

Business results and forecasts studied after the end of the first quarter of the year spelt out the message when there was little recovery after the steel strike (which is still having quite serious effects on production in metal using industries, particularly because of shortages of special steels). "We expected a gradual slope downwards in demand but we suddenly hit a bloody precipice, with de-stocking by customers and by customers' customers, providing the final crunch," said one production director. "People realised that demand and prices were not going to rise in the second quarter and we won't know the possible depths of the recession till the de-stocking ends, probably in September."

But companies with long-term contracts, like process plant manufacturers and specialised engineers, are somewhat cushioned from such dramatic impacts and can also enjoy the protection of progress payments

on contracts. This enables someone like Mr. Bill Smart, chief executive of Whessoe, to be outspokenly loyal to Mrs. Thatcher because his company, despite considerable problems, is cushioned by \$80m worth of nuclear power orders in the UK. "You're ducking the issue if you call for protection from realities of the exchange rate. If high interest rates are an essential part of making the medicine stick, then we must have them, even though it's having a dreadful effect." But he still wants the Government to be cautious and not create "so high a death rate that she has to do a U-turn."

But, as indicated earlier, not all managers are as trusting of Government policies. A CBI activist with a profitable and buoyant medium-sized specialised engineering company, said: "We are very good internationally, but now risk being damaged by the policies. I'm not sure that's worth it if too much damage is done. Without asking for a U-turn, there ought to be some adjustment."

He is Mr. Ian Bonas, chairman of Bonas Machine Tools. He added: "Done in a balanced way I think it's OK. But less action is needed on monetary policy and more on cutting

'We are very good internationally but risk being damaged'

public sector pay and spending." A north-east company displaying a specially optimistic spirit is Northern Engineering Industries, which has undergone considerable changes since it was formed three years ago from a merger of Clarke Chapman and Reynolds Parsons. After shedding some 4,500 workers in the past couple of

years, it is likely to make a further 1,000 redundant soon, mostly in the north-east and the Midlands. But Mr. Terry Harrison, managing director of its engineering company, is proud of the way NEI has reorganised itself, introduced new products to replace dying lines, and improved its production techniques, thus helping it to survive.

But NEI is anxious to build a buoyant image and is more confident than most. Many companies tell stories of their suppliers and subcontractors going out of business. "Every couple of weeks we hear of a smallish, old-established company going down, sometimes because of the exchange rate, or because of its borrowings, or, sometimes, because of unfair EEC competition," said one chief executive.

At the other end of the spectrum Mr. David Brown, the outspoken founder of DJB Engineering and a strong critic of both the Government and CBI, said: "The Government's policies, and the CBI's silence for most of the past year has helped to kill off good companies. One local business of 500 people making garage equipment with good products and management has closed when it shouldn't have had to."

He argues that such closures are especially damaging because of the wasteful management energy and time taken in founding companies from scratch.

However, the chairman of another engineering company said: "Some quite good companies are characteristically desperate," adding that companies in the south, seem especially gloomy and prone to retrench by slashing stocks, cutting purchasing, and avoiding any fresh investment. Another successful company talked about having to cut its

companies for causing problems. Most say that a figure a shade either side of £2 would be tolerable. One or two companies add that, whereas they thought \$1.95 to be the lowest bearable figure a few months ago, they now feel they could manage just above \$2. All want interest rates to come down, most naming a level of 10 per cent when asked to pick a figure.

Companies know, however, that it could take a long time to reach such ideal levels. They realise that they face a gloomy future. Some are even making special provisions in financial plans for a possible shutdown next winter, believing the Government may well have a confrontation with a public sector group like the miners.

In such a situation, a percent point or two on interest rates is unlikely significantly to alter companies' prospects. Mrs. Thatcher's problem, as she debates the pros and cons of such a cut, is that industry is beginning to doubt whether she and her colleagues fully comprehend the industrial consequences of the policies they are pursuing.

MEN AND MATTERS

Set them up, Joe

Rudolf's Reviver, although not an official entry in my City Cocktail competition, is an interesting blend of champagne, passion fruit juice and orange bitters which will no doubt be served in large quantities at The Viceroy in Mincing Lane on the morning of July 1. Concocted in the seventies by Viceroy landlord Joe Gilmour, the drink was invented to help refresh metals traders following the London Metal Exchange's annual dinners.

The occasion, this time, will be the aftermath of what promises to be a substantial celebration in the Mansion House on June 30 in honour of Freddy Wolff, who is celebrating his fiftieth year in the London commodity markets. Guests have been summoned from round the world and the Square Mile to pay tribute to Freddy, gregarious chairman of the metals firm, Robert Wolff, and true dandy of the trade.

In such august surroundings it is unlikely that the 69-year-old

Wolff will be able to sport any of his favourite, somewhat brash, ties. Indeed, more fitting would be the gold medal he collected from Hitler at the 1936 Berlin Olympics as a member of the British 400-metre relay team.

Chairman of the all-powerful LME committee for seven years from 1970, he still sits on the Committee on Invisible Exports. He is, however, at last thinking of slowing down, and is expected to give up the full-time chairmanship of his company after the exchange's next annual knee-up (which coincides with his birthday) on October 14.

Self-defeating

"Excuse me," said an earnest young man at a colleague's door. "I'm from the Young Liberals. I'm collecting old newspapers."

"Come in," beamed the householder — renowned at the office for being swept off his chair by the occasional avalanche of papers and hand-outs. "We have tons of the things."

Overwhelmed by the offer, the caller demurred, explaining that the collection was intended to protect the environment through recycling as well as to raise funds.

"I have only a small car, you see. I would have to make several trips and on balance I think all the exhaust fumes would probably mean I was doing the environment more harm than good."

Fallen star

The people of the South Indian State of Tamil Nadu may have won a chief minister, but in the process they have lost a national idol. I hear that the hero of more than 150 films, M. G. Ramachandran, whose state government was voted back into office at the recent elections after being dismissed by Mrs. Gandhi, is giving up the sound stage.

Standard reply

"Do you think," Energy Minister Norman Lamont was asked at a Stockholm conference yesterday, "that the strength of opposition to nuclear projects is roughly proportional to a country's standard of living?"

Such a relationship, Lamont riposted, would certainly explain two things: why the anti-nukes were so vocal in California and why they were so peaceable in England.

Club change

Why are they so touchy at the City of London Club? First I had a disgruntled member about women being allowed in during normal club hours, and when I inquired further I had secretary Paul Merritt doling out a thinly-veiled warning should I be tempted to use "terms inappropriate to what we expect from your paper." The club is not, after all, the first nor last bastion to give ground under social and economic pressure.

Now in the final throes of most splendid refurbishment, this City stronghold finds itself in need of extra regular income to keep up standards, and is taking cautious steps to see what can be done without stepping on the toes of traditionalists, or delving too deeply into the pockets of existing members.

With 860 paid-up members paying £230 for entry to the inner sanctum plus £195.50 a year subs, Merritt is tentatively

trying to attract more City company principals. There is not, however, much room for manoeuvre, since club articles state that membership must be limited to 1,000.

Commercial affairs, like a Press party thrown by Valor last week (which occasioned the complaint about women being admitted), have become common in clubland.

Last week's affair at the City of London was only the second since the policy was adopted to allow such things. "I was not aware we caused any offence. It was a very quiet, impeccably dignified occasion of the sort people normally associate with Michael Montague," said the host, Valor's colourful chairman.

Mahjong mania

Canton, or Guangzhou, as the Chinese call it, has become a sink of decadent ideology, a left-wing Hong Kong paper reports. And for once the depravity of Western culture cannot take all the blame. Pornography and pop music borrowed from Hong Kong are partly responsible but by far the most corrupting influence is the ancient Chinese game of mahjong.

The story sounds like a Victorian melodrama. Families are ruined, the paper says, careers lost and crime is encouraged. One young fellow ran a gambling dive at home, lost more than £20 (nearly three months' wages) said his wedding present to pay his debts, fell out with his mother-in-law, and now his wife wants a divorce.

Lifter lifted

From the newsletter of those High Street vigilantes, the Association for the Prevention of Theft in Shops: "A man acquitted of shoplifting recently was arrested as he left the court and charged with stealing a juror's coat."

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Why business wants reforms

THE DECISION of the South African Government to borrow from the international capital market for the first time in four years—indeed for the first time since the outbreak of the Soweto Riots on June 16 1976—could scarcely have come at a more surprising moment. It was announced two days after the sabotage attack on an oil refinery and two Sasol synthetic fuel plants.

Undoubtedly, the moment was deliberately chosen by Senator Owen Horwood, the Minister of Finance. He was keen to prove that international confidence in the strength of the South African economy, as shown by the successful floating of the DM 120m (about £20m) loan in Frankfurt, outweighed any renewed political fears for the country's future.

The confidence of the international financial community among South African businessmen. The Sasol sabotage, and the past weeks of school boycotts by African, Coloured (mixed race), and Indian pupils leading up to the anniversary of the Soweto riots, have caused little more than a hiccup on the Johannesburg Stock Exchange.

But the barometer cannot follow the international bullion price more closely than any political event. Nevertheless, there is gathering underlying concern, at least in the upper echelons of the business community. In the first place, there is a recognition that the settlement in Zimbabwe and the resurgence of unrest will once again focus international attention on South Africa. The revival of interest in Britain in the EEC Code of Conduct for South African subsidiaries has been one indication.

The decision of the British Government not to publish the names of 33 British-owned companies paying wages below subsistence levels pro-

bably had the opposite of the effect intended of attracting attention to them.

In spite of enjoying a reputation of being more progressive than the successive National Party Governments of the past 30 years, the South African business community remains very conservative. The reaction of the South African manager of one U.S. subsidiary to the latest unrest—"I am too busy running my business to pay attention to school boycotts"—is widely shared. However, since June 1976 consensus has been growing that business must play a more active role, not only in protecting better employment conditions but also in attempting to improve the quality of life in South Africa's generally squalid and sprawling black townships and impoverished tribal homelands.

That concern has been expressed in two main ways: in a growing acceptance and proliferation of employment codes and, secondly, in the creation of a major organisation, the Urban Foundation, entirely financed by the private sector to improve conditions in urban areas.

There is little doubt that the major factor behind the growing acceptance of codes of conduct for employers has been the appreciation that they can be used primarily as a means of protecting investments in South Africa rather than merely to improve conditions. "The codes are capable of taking the heat off," according to the chairman of an oil major. (Like executives of many other foreign companies, he was not prepared to comment on the record.)

Whereas the fear of international pressures, including the campaign for international companies to pull out of South Africa is an obvious reason for employers to do something for

their blacks, there are others which go deeper. In the first place, there is a clear desire to head off any further revolts on the scale of the Soweto riots. Second, there is a recognition that continuing economic growth can only be achieved by the training and use of skilled black labour, which means the abandonment of traditional job discrimination, and radical improvements in black education.

"We are committed to these policies because enlightened business is totally opposed to discrimination, and because we need to achieve faster economic growth," Mr. Reinold Hofmeyr,

company executive said. "You cannot afford to employ school-leavers. You fight shy of employing black women. And you stop employing illiterates. The minimum wage guideline is also criticised for its effect on employment levels—that it simply gives companies an incentive to invest in capital-intensive processes when South Africa needs labour intensification to provide work for its growing labour force. But at the same time the guideline has brought benefits to individual companies such as stabilising the workforce. Recruitment has to be much more selective.

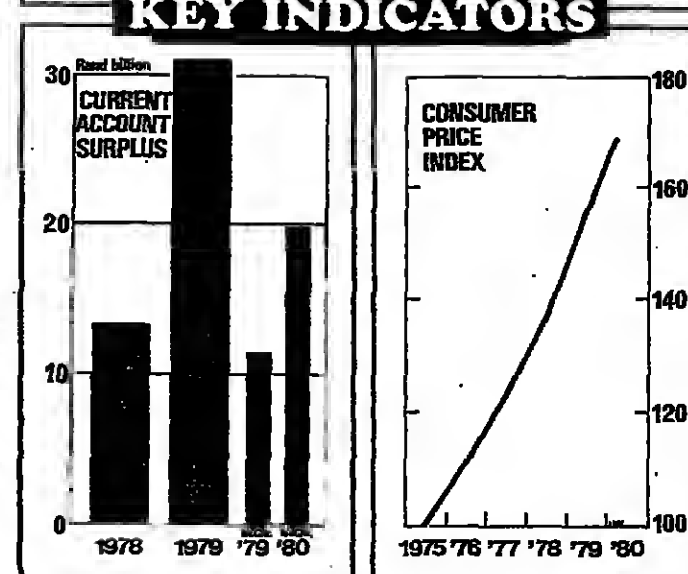
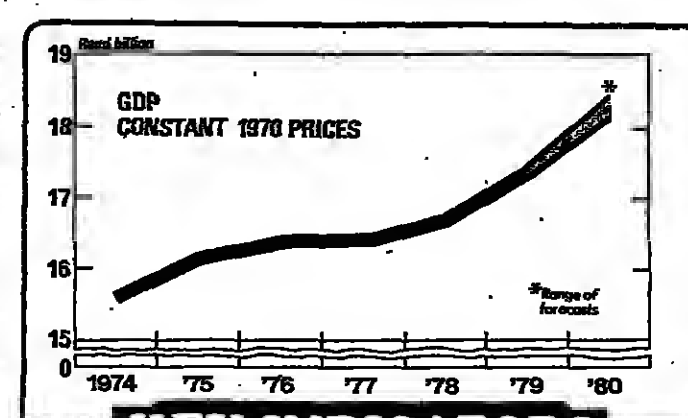
However, enforcement of such regulations as those requiring separate toilets for black and white are only sporadically enforced. "Industry can do a hell of a lot," Mr. Jacobs said. "We never say to ourselves that we can't because of the law. But you have to be careful to take all your employees along with you."

Indeed, there is an increasing number of examples where companies, or the business lobby, have managed to overcome or ignore statutory restrictions. The Urban Foundation, backed as it is by the whole spectrum of Afrikaner and English-speaking business, has been particularly successful in building black training facilities in urban areas, and not in the tribal homelands as apartheid ideology would dictate.

In spite of individual successes, there is growing concern about the slow overall process of change. The latest flurry of unrest is partly a reflection of the failure of the benefits of economic expansion to percolate through to the black communities, and a failure of the Government's talk of reform to make any material difference to the lives of ordinary blacks. The Urban Foundation has now switched its tactics from a low-profile promotion of good works in black townships to a more public espousal of change in government policies, such as a universal system of education for all race groups.

"We think we can cope with a faster rate of change," the oil company executive said. "It is essential for business to take the lead. It is important that Mr. Botha, the Prime Minister, should realise that the business community is ready for change."

But if business criticises Government for dragging its feet, the opposite is also true. Government spokesmen say the business community complains about the lack of skilled



workers, but has shown no sign of inundating government with requests for black advancement. Mr. Fanie Botha, Minister of Labour, said that so far only 50 applications had been approved to indenture black apprentices, but business had not lodged any appeals at the slow progress.

Perhaps the most funda-

mental criticism of the business community is that it is following an essentially conservative, paternalist course in its attempt to gain wider credibility among blacks. "We do tend to decide what the good works should be," Mr. Hofmeyr said.

One reflection of that attitude, at least in black eyes, is the continuing refusal of business leaders to provide any encouragement to black trade unions. "You cannot expect employers to encourage trade unions," one British executive maintained. "There is no doubt that the black union movement is poorly and sporadically organised, divided between several factions, and often badly trained."

One of the handful of companies to have recognised an unregistered black trade union is Kellogg, the U.S. breakfast cereal manufacturer. "It has certainly improved our communication with our workers," Mr. Murray Rogers, the Managing Director, said. "They are training shop stewards, and training them pretty well. My impression is these trade unions cannot be swept under the carpet. They will not go away. We will have our battles, but at least we will know whom to talk to."

The prolonged strike which hit the Ford Motor Company in Port Elizabeth at the turn of the year was an example where the black workforce bypassed its trade union, apparently because it saw it as too co-operative with management. Instead it put its demands through the militant residents' association. Mr. Fred Ferreira, personnel director of Ford, said later that trade unions, which by training they would negotiate and compromise with management, were being rejected by a radicalised labour force.

"Trade unions provide a means of negotiating in a society where confrontation is increasingly becoming the norm," one unionist said. "If we become discredited, then confrontation may be the only alternative," or, as the oil company executive said: "There is an increasing attitude in the black community that it is too late for paternalism."

If you want to continue operating in stable conditions you must do something to avoid a revolution. . . .

Computer company executive

executive director of the Barlow Rand group, South Africa's largest industrial group, said. Enlightened self-interest is clearly the name of the game. "If you want to continue operating in stable conditions you must do something to avoid a revolution," the chief executive of a U.S. computer company said.

But if it is now accepted that business should in some form give advancement to the blacks, its form is still the subject of bitter debate. The EEC code, for example, sets out minimum wages, trade union recognition, phasing out of migrant labour, equal pay, desegregation of facilities, and improved fringe benefits, as the areas for corporate action. Of those, minimum wages and trade union recognition are the most disputed.

"Setting a standard minimum wage for all industries creates absurd situations," the oil com-

We have categorised jobs much more clearly, and generally raised the quality of the labour force," Mr. Derek Jacobs, managing director of Metal Box of South Africa, said. "Better wages mean less labour turnover."

South African companies have avoided any suggestions of paying minimum wages, concentrating rather on the question of equal pay for blacks and whites. Barlow Rand, for example, has set an equal pay target, but allows each of its 250 companies to set its own pace. "We have one company which plans to introduce a single wage curve in one step this year," Mr. Hofmeyr said. "They employ 3,000 workers and it will cost them R1.5m a year."

The question of desegregating facilities is one with which most foreign companies do not quarrel, though to do so may well mean contravening existing South African law.

Letters to the Editor

Air traffic staff

From the President and General Secretary, Eurocontrol Branch, European Public Service Union.

Sir—Mr. Alasdair Hutton (June 10) suggests that the possibility of industrial action on a control staff is a drawback to a unified European ATC system. This argument implies a misunderstanding of the views of the Eurocontrol Staff Union which we would like to correct.

The Eurocontrol branch of the European Public Service Union has continually called upon the member states of Eurocontrol to embody in the amended convention a centralised function for the planning and development of the future European ATC system which must be binding on national administrations in order to achieve "a unified air traffic control system in Europe." This does not preclude control centres implemented in accordance to a common plan, from being operated by national staff. Indeed, the union has stated publicly that it recognises that certain states may wish, for political, security or other reasons, to continue to exercise the executive function of air traffic control and we are not in principle opposed to this.

We would like to suggest that, as well as reducing the effects of industrial action by ATC personnel in Europe, which has unfortunately become more prevalent in recent years, one should also attempt to reduce or eliminate its causes. It is necessary to recognise the unique character of the ATC profession and the demanding requirements placed upon those who exercise it. This should be reflected in the status accorded to the profession and the pertaining condition of employment. The "tools" with which the controller is expected to perform his task must be the best and most reliable available. All too often the controller already working in a high stress environment is expected additionally to compensate for deficiencies in the system. It is perhaps significant that Eurocontrol controllers, operating one of the most advanced systems in the world, and proud of the service they provide to aircraft operators who generally acknowledge it to be amongst the best available, have never resorted to industrial action.

R. C. G. Jennings
1640 Brussels
9 Rond Point Schuman,
Belgium.

Interest in new ideas. This is particularly serious in the field of personnel practices.

I hold in my hand a book called "Three Studies in Management." On pages 122-124 it describes some very successful group-based quality control methods from which later quality circle operations developed. I have seen these methods successfully used in a variety of industries in California as long ago as 1967.

The Tavistock Institute of Human Relations,
The Tavistock Centre,
Belsize Lane, NW2.

price rationing of credit. Many people do; but for what it is worth the monetary authorities are not among them, as the recent green paper on monetary control made abundantly clear.

I am not sure what to make of the argument that the banks should be "made to compete" for their retail deposits. Does Mr. Harris deny the very real competition that the banks already face, not just from one another but also from institutions like the building societies? Does he really want a Monopolies Commission investigation so soon after the banks received a favourable report from the Price Commission and while they are still under the microscope of the Office of Fair Trading?

And if he wants interest paid on current accounts, is he at the same time ready to argue that current account charges should rise to an economic level? After all, as recently as the mid-1970s the combination of bank charges and the "endowment" element was inadequate to recomp the costs incurred by the banks in providing their current account services.

I for one will "remain to be convinced" of the case for an excess tax until Mr. Harris, or someone else, demonstrates that real bank profits have represented an excessive rate of return on capital employed over the course of a business cycle. All the evidence I have seen so far suggests otherwise.

Ian Morrison,
Head of Public Policy Group,
32, City Road, EC1.

British fleets

From the Managing Director, Swan National.

Sir—I would like to take this opportunity to comment on the report (June 13) by Mr. Arthur Sandles entitled "Keeping Godfrey Davis British."

An otherwise excellent article totally spoilt by its omission of a company that is: probably larger than Godfrey Davis and Avis and certainly larger than Hertz, the largest individual purchaser of Ford passenger cars in Britain; 100 per cent British owned and has a stronger growth record than any of the companies mentioned above. This company is Swan National.

For the record, our short term rental fleets peak at over 8,000 vehicles, plus a further 5,000 vehicles on longer term contract hire.

P. H. Aidous
Swan National
305-307 Chiswick High Road, W4

Tax on bank profits

From the Head of the Public Policy Group, Inter-Bank Research Organisation.

Sir—"Unadventurous. Mr. Lawson," says Anthony Harris (June 12) of the Financial Secretary's failure to be convinced of the case for a special tax on bank profits. "Unconvincing, Mr. Harris," is the only possible reply.

Mr. Harris apparently starts from the belief that the clearing banks are thwarting the Government's monetary objectives by lending to companies in circumstances where American banks would not. This can only mean one of two things. Either the clearers are lending—knowingly and of their own volition—to patently unsound companies; or they are rationing credit by price where Mr. Harris would rather they restricted their lending in some more direct way.

I know of no evidence for the first view, though as the clearers are usually accused of being too risk-averse it would be an interesting change for them to be accused of not being risk-averse enough. The clearers know perfectly well that a proportion of their loans will turn into bad debts during the recession. If they lack the gift of prescience, they cannot tell in advance which these will be.

This is just one of the ways in which the costs of high interest rates will continue to hit bank profits long after the benefits have passed. (The last row about "obscene" bank profits referred to the 1973 figures: it was six years before they were as high in real terms again.)

Perhaps Mr. Harris is arguing instead for some form of non-

Musical cuts at the BBC

From the General Secretary, Musicians' Union.

Sir—Students of management will be grateful to Mr. Singer, managing director, BBC Radio, for illustrating so clearly (June 9) the management failings that lie at the root of the BBC's present difficulties.

Mr. Singer fails completely to answer the questions posed by your unusual and welcome leading article of June 5 and to notice that similar questions have been posed by other responsible newspapers. How has this unprecedented action of the Musicians' Union been provoked? Why has a traditionally moderate group of highly intelligent employees voted (in a secret postal ballot) overwhelmingly for a strike? Why is the union's case universally supported by the music profession nationally and internationally? Why has the first actual dismissals arising from the "economics" been those of musicians; the people who produce the major programme component in radio? How does sacking one-third of the employed musicians conform to the director general's assurance that redundancies would be kept to a minimum? Why, at a time when the most important task confronting the nation is to reduce unemployment, is the BBC creating it (and in a most vulnerable sector) by slashing £1.5m of the wage bill to achieve a net saving of £500,000? Why has the BBC refused to negotiate to achieve a net saving of £500,000? Why has the BBC refused to negotiate the matter with the union although it is bound by an agreement to do so?

There is a further question that will be of interest to management students; why is the BBC refusing to honour a collective agreement? At our meeting on May 29 with the

When we turn to Mr. Singer's attempt to divert the discussion by referring to the Performing Right Tribunal, students of management will recognise a typical case of "flight from reality." Mr. Singer writes: "At this tribunal it has been established that the Musicians' Union has at its disposal a 'sinking fund' of nearly £1m." Your readers should know that nothing has been established at the tribunal since no decision has yet been published. The Musicians' Union does not have a sinking fund, and no fund of any kind. Mr. Singer then goes on with what he describes as "another telling quote from the transcript of the tribunal." The transcript of the Tribunal covers 77 days of hearing and contains (at a quick estimate) approximately 2.7m words. Mr. Bateson, the quoted counsel, made it clear that he regarded himself as being in "adversary litigation." Since the union, which I was representing, was one of his adversaries, it is not surprising that he spent a considerable amount of his time attempting to divert attention from the weaknesses in his own case by references to the union. He was, of course, behaving entirely properly and could be excused, perhaps for asserting that "if the Musicians' Union present sinking fund were invested at current rates the income from that would support that orchestra (the BBC Scottish) effectively and easily for an indefinite period of time, and others as well. Any moderately efficient manager should, however, be capable of the elementary arithmetic necessary to expose the statement as complete nonsense, unless—of course—he knows of a way to obtain a real annual return of £750,000 (the approximate cost of the orchestra) from an investment of an hypothetical £1m."

John Morton,
60/62 Clapham Road, SW8.

Today's Events

UK Confederation of Health Service Employees (COHSE) conference debates motion from union's executive to ballot its members on 14 per cent pay offer to nurses: Dundee branch motion for immediate industrial action will also be debated. Blackpool, Lord Carrington, Foreign Secretary, meets Sir Denis Follows, chairman British Olympic Association, and 16 other chairmen of governing bodies for Olympic Sports to discuss boycott of Olympic call, London.

Lord Soames, Lord President of the Council, opens Royal Commonwealth Society's conference on "The Commonwealth Forward with Zimbabwe, 18, Northumberland Avenue, London.

Mr. Norman Fowler, Minister

of Transport, opens Institution of Mechanical Engineers conference on Progress Towards Safer Passenger Cars, 1, Birdcage Walk, SW1.

Overseas: EEC Budget Ministers meet to consider draft budget for 1980, Luxembourg. EEC Agriculture Council meets, Luxembourg.

European Parliament in session, Strasbourg.

Comecon Prime Ministers meet for annual summit, Prague.

Automobiles Citroën, of France, opens exhibition in Canton, China.

King Khalid of Saudi Arabia

continues official visit to West Germany.

PARLIAMENTARY BUSINESS

House of Commons: Coal Industry Bill, second reading. Motions on the Redundant Mineworkers and Concessionary Coal (Payments Scheme) (Amendment No. 3) Order. International Development Association (Sixth Replenishment) Order and European Communities (Definition of Treaties) (Second ACT-EEC Convention of Lome) Order.

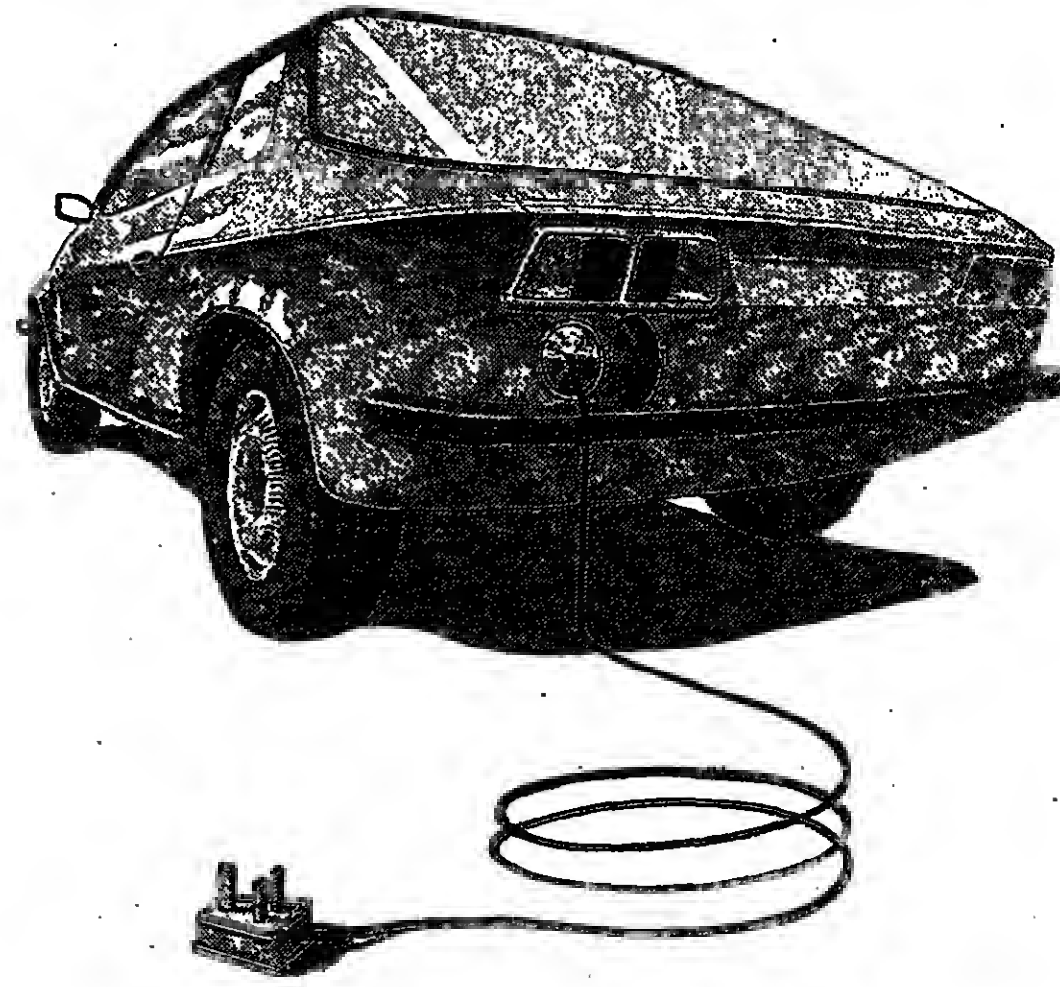
House of Lords: Debate on the European Communities Committee report on powered industrial trucks. Social Security

(No. 2) Bill, committee stage. Select Committees: Defence. Subject: D-notice system. Witnesses: Rear-Admiral W. N. Ash (secretary) and Mr. Windsor Clark (vice-chairman) Defence Press and Broadcasting Committee (Room 8, 10.30 am). Foreign Affairs. Overseas Development Sub-Committee. Subject: Development divisions of the Overseas Development Administration. Witnesses: Overseas Development Administration (Room 15, 5.30 pm). Transport. Subject: Channel Link. Witnesses: European Ferries (Room 17, 6 pm).

OFFICIAL STATISTICS

Index of industrial production (April—provisional). COMPANY MEETINGS

See Page 24.



Go Steetley?

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Rediscovering the circle

From Dr. F. Heiler

Sir—In your issue (June 12) you devote considerable space to the analysis of Japan's superior industrial practices in the motor car industry. Apparently Ford Europe has recently discovered "quality control circles" in Japan and is now committed to involving 140,000 European shop floor employees in this method.

In comparing the greatly superior Japanese productivity you rightly deduce that this is not entirely due to special cultural differences or unusual trade union co-operativeness. In my experience, a critical difference between Japanese and European motor car manufacturers is the latter's lack of

Companies and Markets

UK COMPANY NEWS

Increase to over £4m by Chamberlain Phipps

TRADING profits of Chamberlain Phipps increased by 14.8 per cent in the year to March 31, 1980, but after much higher interest charges of £277,000, against £491,000, the pre-tax figure emerged at £4.15m, up 6.7 per cent on the previous year's £3.89m. The interest lift was a result of increased borrowings and high interest rates.

Group sales advanced 14 per cent to £28.5m, up from £24.8m. Exports rose over 26 per cent to £11.5m and accounted for 17 per cent of the total figure.

At half-time, when reporting pre-tax profits up from £1.5m to £1.8m, the chairman, Mr. W. R. F. Chamberlain, said the group was maintaining a good level of activity and in spite of the rise in interest rates a satisfactory full year result was expected.

With SSAP 15 adopted, tax for the year took £701,000 (restated 1979, £600,000). After minorities and extraordinary items, attributable profits were ahead from £2.62m to £2.89m.

Earnings per 10p share, before

extraordinary debits of £290,000 (£299,000), improved from 11.96p to 15.46p. A final dividend of 2p raises the net total to 3.1p, compared with 2.904p, which amounts to £11,000 (£104,000).

In the year under review, there was a considerable profits improvement in the general industries division, which increased its sales more than any other part of the group to provide 30 per cent of the total figure—trading profits jumped 64 per cent.

The group's overseas companies, which with exports from the UK account for 26 per cent of total sales, traded well.

On future trading, the chairman believes that the group's diversity of interests in the UK and overseas, coupled with its organisation into small, flexible units which can adjust quickly to changing conditions, will enable it to perform effectively in spite of the current economic difficulties.

comment

With trading margins two points better on turnover a

quarter up, the strength in Chamberlain Phipps' general industries division more than offset the slump in moulding and a sluggish performance at Phipps-Faire. Three-quarters of group business is in footwear, almost half in the UK so the group has performed creditably in a year which has seen British shoe-makers under severe margin pressure from imports. The motor industry may not seem the firmest foundation for diversification, but the main customer is Ford which enjoyed a good year. The De Lorean contract could also give a useful boost if the car is a success. Phipps' investment is so far a small one. The current year has started in line with last year's second half—which was stronger than the first—but there are signs that the second quarter may see a hiccup or two. The extraordinary item relates largely to potential plant closure, outside the main operating divisions. At 55p, up 3p, the shares are cautiously rated on a fully-taxed multiple of 4.7 with a 13 per cent yield.

Dawson International rises by 12% and order books strong

RECORD results are announced by Dawson International, the luxury knitwear and textile products group for the year ended March 31, 1980. Pre-tax profits were up 12 per cent from £10.26m to £12.24m on turnover of £150.21m against £135.08m.

The group's order books are strong, taking companies well through the calendar year, the directors say. As far as can be seen, this situation should continue.

Stated earnings per share are 26.2p against 21.4p and 23.4p (20.7p) fully diluted. The final dividend is lifted from 4p to 4.5p to make a total of 7.5p compared with 7p previously.

All companies operated profitably with the Haggas companies being included for a full 12 months of trading against only three months in the previous year. The group's financial position remains strong. Net liquid resources were maintained at the previous year's level of £21m (87p per share).

Expenditure at over £4m was the highest ever and included capital investment to increase capacity further as well as improving efficiencies.

During the year steps were taken to rationalise various activities to eliminate areas of lower profit contribution. The benefits of these moves will be more reflected in the current year's results, the board adds.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's timescale.

TODAY
Interim: Thompson Trust.
Final: Bradford Property Trust, Peter Strathmore, GEI International, Northern Goldsmiths, Property and Reversionary Investment, Robertson Foods, Sound Diffusion, Westrick Products.

FUTURE DATES

Interim: Castlefield (Klang) Rubber Estate, Killinghall (Rubber) Development, Jones (Emas) (Jewellers), Romney Trust, United Guarantee, Vesta Stone.
Final: Arbuthnot Latham, Cropper (James), Downs Surgical, Paterson (R.), Patrow, Somic, Stood and Simpson, Winchmore Invest. Trust.

Wolverhampton Steam back to dividends

As forecast in the interim statement, Wolverhampton Steam Laundry returned to profit in the second half and pre-tax profits for the year ended March 31, 1980, amounted to £18,734, compared with a loss of £10,441 in the previous year.

The group has returned to dividends with a recommendation of a single 0.5p payment—the last dividend was 0.35p net in 1975-76.

National Carbonising picks up to finish year with £102,000

AFTER first half losses of £206,000 against £155,000, National Carbonising Company, the year to March 31, 1980, with a pre-tax figure of £102,000 compared with £24,000 previously. Turnover was up from £35.8m to £38.8m.

Earnings per share are stated as 1.55p against 0.11p and a final dividend of 2.1p makes a total of 2.6p compared with the previous year's single 0.7p. A one-off scrip issue is also proposed.

Profit is after interest of £347,000 (£365,000) but before a tax credit of £125,000 against a £21,000 charge. Attributable profit soared to £7.55m against losses of £154,000 after extraordinary profits of £7.32m (£147,000 loss).

Mr. G. Ferguson Lacey, chairman, says the strength of the balance sheet provides an opportunity to grow significantly and the board views the year ahead with confidence.

The directors are also proposing to change the group's name to NCC Energy.

During the current year, the chairman says that while the commitment to develop as an energy based group will continue, consideration will be given to the acquisition of income-producing interests with a view to maintaining dividend growth while waiting for energy investments to mature.

The newly formed U.S. subsidiary NCC Energy Inc., is entering into a joint venture with Mercury Exploration of Fort Worth, Texas to acquire acreage and drilling equipment and to carry out a drilling programme which is due to commence this August.

The company has made a commitment to invest U.S.\$3.3m in this joint operating venture.

comment

With the profits from the LSMO sale, now in the books and

subsidised from capital gains tax, National Carbonising is poised to expand its energy interests at a vigorous rate. Dividends are nothing like covered by profits before tax, so the company is in urgent need of a strong income producer to offset the ACT charge. In addition, NCC is looking at energy acquisitions in the U.S., Australia and Canada—in that order. Its cash balances are now around £3m so a rights issue may be employed to finance growth on this scale. The company is claiming net assets per share of 205p (of which two-thirds is derived from Weeks) but these are still a long way from producing an adequate return. MCC is now investing \$3.3m in U.S. exploration and will be active in the seventh round of North Sea licensing so shareholders are in for a long wait before a sizeable income stream is built up. At 142p, up 4p yesterday, the shares look fully-valued. The yield is 2.9 per cent.

Year: 1979-80 1978-79
Turnover 150.21 135.08
Trading profit 20.25 17.15
Depreciation 2.88 1.83
Interest 1.85 1.03
Profit before tax 18.24 16.25
Tax 4.85 6.58
Net profit 13.39 9.67
Extraordinary credit 176 121
Dividend 4.05 3.38
Retained 8.52 6.09
Including minority shares £113,203 (£36,174) 100p
Lex, back Page

Sharp rise in BUPA membership

A SHARP rise in membership last year is reported by the British United Provident Association, the largest medical insurance agency in the UK. A net rise of over 100,000 subscribers was achieved in 1979 in the record number of 865,000 at the year end. Sir Michael Milne-Watson, in his chairman's statement reports that membership has passed the one million mark since the year-end.

The report and accounts for the year shows that subscriptions in 1979 advanced by nearly 15

per cent from £78.7m to £90.3m, while the amount paid out in benefits and transferred to benefits reserve rose by over 9 per cent from £64m to £69.9m. Investment and other income increased by nearly 50 per cent from £7m to £10.5m and expenses were 40 per cent higher at £12.5m against £9.1m.

BUPA negotiated its payments under covenants in 1979 from £770,000 to £388,000, while the tax charge was 60 per cent higher at £4.25m. The overall surplus

for 1979 amounted to £11.1m compared with £9.2m for 1978.

Sir Michael referred to the major breakthrough which occurred last year in providing medical insurance and health care to employees. BUPA agreed with the Electrical Contractors Association to provide medical examination for 30,000 employees of their member companies. This, he said, showed that private health care is not only desirable but is available for employees at all levels.

Andersons' Rubber falls: omits final

With second-half losses of £42,021 against a surplus last time of £10,357, pre-tax profits of Andersons' Rubber Company showed a sharp decline for the full year ended January 31, 1980, falling from £22,587 to £10,979. At mid-way, profits were £53,600 compared with £72,200.

The interim dividend is omitted, leaving the total for the year at 1.15p (3.3p) net.

After a significant deterioration in the final quarter, the directors state that domestic sales of the group's protective clothing and industrial rubber products remain stable. And although exports increased, the strong pound and high interest rates had a serious impact. Turnover was ahead at £4.12m (£3.54m).

After tax of £19,800 (£31,111), there was a net loss of £3,821 (£4,472 profit) or 0.74p loss (7.56p earnings) per share.

Hill Samuel S. Africa proposing rights issue

Hill Samuel Group (HSGSA), the South African subsidiary of Hill Samuel, has announced a rights issue to raise £2.5m (£3.6m).

About 574,000 new shares are being offered to shareholders at a price of 320 cents on the basis of 15 new shares for every 100 held. Hill Samuel of London will take up its rights in proportion to its current holding and underwrite the issue.

Since the April, 1979, restructuring, in which HSGSA's troubled property interests were sold to the UK parent and the pension and insurance interests to Alexander Howden, the company has concentrated on developing its merchant banking activities.

With this in mind and expectations that demand for

loans from corporate borrowers will advance strongly over the next year or so, it has become necessary for the group to increase its capital base.

Recently, Rám was raised through a private placing of redeemable shares. While a further £2.5m will be added to equity through the present ordinary rights issue.

During the year to March 31, 1980, the company increased its loans to clients from R55.1m to R73.5m and the value of bills accepted and rediscounted for customers from R60.9m to R162.5m. Over the same period, merchant banking operations earned R3.14m pre-tax, compared with R1.94m the previous year.

Dividends totalling 27.5 cents (17.75 cents in 1979) were declared from earnings per share of 41.4 cents (26.5 cents).

Royal Insurance expands with two new divisions

Royal Insurance Group, a major UK composite insurance group, has announced the establishment of two new operating divisions—the life division and the general overseas division—as from July 1, 1980.

Over the past decade, the life and pensions business of the group has grown substantially. With funds in excess of £1bn, Royal is now one of the ten largest UK life insurance companies. The objective is to achieve further substantial growth during the 1980s and to facilitate this, the life and pensions business

has been established as a separate operation within the group.

The investment of long-term funds of Royal has been kept separate from the investment of the funds of all other operations of the group. The life division will be headed by Mr. Tony Baker, Royal's chief actuary.

The general overseas division will have the responsibility for the operations and development of Royal's overseas business transacted in some 80 countries, but not including North America, Australia and Holland. It will be headed by Mr. Jim Clarke.

Reckitt and Colman Aust. up at halfway

A FIVE PER CENT rise in pre-tax profits is reported by Reckitt and Colman Australia for the six months to April 30. Profits were A\$12.63m (£5.25m), on turnover up 19.7 per cent to A\$96.9m.

The company, a subsidiary of the British food, toiletries and pharmaceuticals group, says that although sales increased at a satisfactory rate, profits were affected by heavy investment in promotion and development. A second-half improvement similar to that in 1979 is expected.

The interim dividend is lifted from 6.5 cents to 7 cents.

Tilley Lamp loss at six months

A loss of £4,915 was incurred by the Tilley Lamp Company, in the first half-year to December 31, 1979, against a £3,344 profit in the same corresponding period of 1978.

Turnover amounted to £1.04m against £924,723. The loss is after sharply increased interest of £50,686 (£5,799) and depreciation £44,256 (£28,391).

Loss per share is stated as 1.85p against 0.27p earnings.

Danks forecasts deficit

A net loss on its operations is forecast by the Board of Danks, a processor of steel, design and manufacture of boilers and plant, for the extended accounting period to June 30, 1980. This follows last year's record pre-tax profits of £1.1m compared with £1m.

The losses, states the board, will not be such that they will, to any appreciable extent, affect the long-term future of the group.

The accounting period has been extended by three months

because the steel strike made it impracticable to carry out a stock take at the company's Gorseinon works on March 31.

The board states it has taken action to slim down its engineering operations in line with diminishing demand. This has been necessary to ensure continuity of employment for a reduced workforce, and to concentrate group efforts on the development of fluidised bed combustion technology as an alternative source of power to oil and gas.

Dawson International Limited

(Incorporated in Scotland)
The Dawson Group is a specialist manufacturer of the highest quality textile products. It is best known for its luxury knitwear but also markets raw and semi-processed material and yarns.

- Further profits growth
- Balance Sheet strength maintained
- Dividend increase
- Strong order books

Summary of Results

	1980 £ million	1979 £ million
Turnover		
Profit before Tax	159.2	135.1
Profit attributable to shareholders	18.2	16.3
Net assets employed	13.6	9.4
Earnings per share	55.7	47.5
Dividend per share	26.2p	21.4p
	7.5p	7.0p



Copies of the Annual Report, containing the statement to shareholders by the Chairman, Mr. Alan Smith, CBE, will be posted to shareholders on 20th June, 1980 and will be available after that date from the Secretary, Dawson International Limited, Kinross, KY13 2DH, Scotland.

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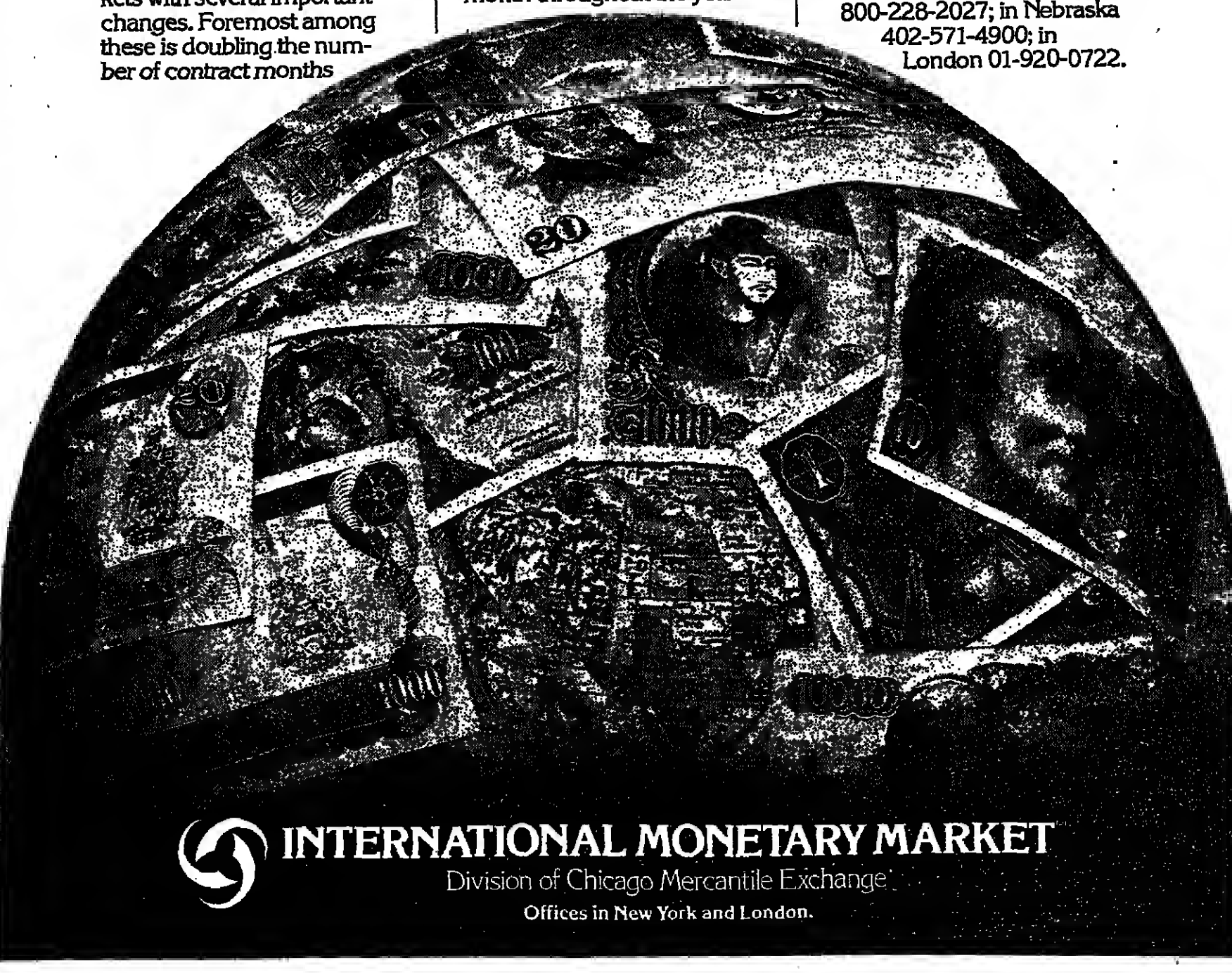
from four to eight per year. This will serve to expand the opportunities for banks, corporations and other traders engaged in hedging, arbitrage and spreading. The expanded schedule offers regular contracts for January, March, April, June, July, September, October and December.

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Companies and Markets

Ferguson Indl. up £1.5m

FINAL QUARTER pre-tax profits of Ferguson Industrial Holdings, building, engineering and printing group, increased from £0.61m to £1.04m, and the increase for the full year to February 29, 1980, was £1.5m at £3.74m.

Sales advanced from £56.52m to £59.47m, resulting in a record trading profit of £5.64m, an increase of 81 per cent.

The improvement came largely from the building supplies and printing divisions. The building division, however, produced a trading profit of only £296,000 after absorbing a loss of £206,000 incurred by the plumbers' brassware foundry which was closed in order to put Pease on a sounder basis.

The group profit sharing scheme had a record sum of £259,000 for distribution among 2,000 eligible employees. Five of the group's subsidiaries are now included in the scheme for the first time.

After tax up from £583,000 to £663,000, stated earnings per 25p share improved from 14.6p to 21.4p, and the final dividend is effectively raised from 2.4p to 3.2p for a final of 5.5p (adjusted 4.2p).

There was an extraordinary credit of £89,000 (£278,000) resulting from the sales of the group's shares in Bredon and Cloud Hill lime works. Dividends absorb £740,000 against £559,000, leaving £221m (£1.37m).

Mr. Denis Vernon, the chairman, says since the beginning of March there has been a reduction in trading activity as expected in the current economic climate.

● comment

More than doubled interest charges and a roughly quadrupled contribution to the employees' profit sharing scheme have failed to arrest the progress at Ferguson Industrial.

Pre-tax profits are up by two-thirds. The final quarter was very favourable for building merchants with local authorities spending heavily and other customers buying both for stock appreciation relief and as an insulation against the steel strike. By comparison with the previous year, the weather was excellent. All these factors have now disappeared and the group's concentration in the north is making life particularly difficult. This year, therefore, Ferguson's 60 per cent gearing ratio will prove more burdensome, even if interest rates fall. The shares have traditionally laboured on a humble rating and even after an 8p rise to 94p yesterday, they trade on only 4.2 times published historic earnings. Given Ferguson's sound record, this looks undemanding on any but the most short term considerations. The yield of 8.7 per cent is above the sector average.

COMPAGNIE FINANCIÈRE DE SUEZ

The Annual General Meeting of Compagnie Financière de Suez was held in Paris on June 12. The following is a translation of the statement made by the Chairman, Monsieur Michel Caplain, at the Meeting:

The international situation in which we are inevitably involved is developing in a disturbing and unpredictable manner.

Disturbing because of the political tensions which find expression in numerous trouble spots, because of the passionate rather than rational reactions which begin to be seen in certain quarters, and because of the transformation of oil into a political weapon which throws a shadow of uncertainty over the supply and cost of a source of energy still essential to almost every country.

Unpredictable, because the complexity of the situation and the importance of psychological factors affecting leaders and public opinion make it almost impossible to forecast seriously whether the present state of affairs will take a turn for the better or for the worse.

At the present moment, the international economic situation is marked by the continued rise in oil prices from which two major consequences follow.

The first is an increasing gap in our balance of payments position. The oil exporting countries will undoubtedly be in surplus in 1980 by over 120 billion dollars involving a corresponding deficit in industrial countries where living standards will drop by the same amount and in the developing countries whose solvency will inevitably become increasingly doubtful.

The second consequence is the aggravation and spread of inflation necessitating almost everywhere policies of restraint, marked by a spectacular rise in interest rates leading to economic recession and increased unemployment.

This was the sequence of events in the U.S.A. where the recession has begun, accompanied by a rapid fall in interest rates. The important question is whether the rate of inflation can be speedily reduced to an acceptable figure with a short and mild recession. Should it be serious and lasting there will be inevitable repercussions on the principal industrial countries, Europe in particular.

France has of course suffered the effects of the international situation which have prevented the solution of its fundamental problems of inflation and employment. On the national level, however, our economy includes several basically sound factors. I shall give three examples.

First of all, the general level of economic activity, which although unspectacular, is nevertheless fairly steady. Many sectors are indeed still suffering, others appear to be threatened and there are serious fears that under the effect of the worsening of international economic conditions the level of activity may decline in the second half of the year.

Many sectors, however, are maintaining a good level of activity and the realisation of pessimistic forecasts seems in fact to be postponed from quarter to quarter.

Secondly, the balance of our external payments remains fairly satisfactory. Although with the new oil shock our trade balance is now clearly in deficit, the level of our exports continues to progress and because of the expansion of our servicing activities, the balance of payments on current account, in surplus last year, is at present only very slightly in deficit compared with that of many of our foreign partners, notably Germany.

Lastly, we are witnessing an undeniable improvement in the financial soundness of companies. This is due to the one hand to price freedom which companies have not abused but which has enabled the better performers among them to benefit from their efforts; on the other hand, to a very large rise in productivity in France—much larger at present than in Germany—the benefits from which, and this is a new factor, are not wholly distributed as dividends, alone or with other funds, but partly retained by companies to reinforce their structures.

This development was a very necessary one, since the ratio

of indebtedness of French companies had reached disquieting levels, but also a stable one and enabled many companies to increase the dividends paid to shareholders. The Bourse put the right interpretation on it and this improvement in the financial position of companies must be seen as one of the principal causes enabling the Paris market to remain firm in spite of the monetary crises, political tensions and uneasiness generated by developing economic conditions.

This firmness is not in my opinion at all excessive for the major French securities are still very low in price and the technical factors—particularly the Monetary Act—which upheld the market in 1979 still exist. I therefore hold to the view that I expressed here last year: the faintest glimmer of light on the international horizon could be greeted on our market by a fairly substantial rise.

In these difficult conditions, your company has made satisfactory progress in my letter of March 1980, of the principal events affecting our group in the first quarter of the year. Since then, there has been no major development, but our principal subsidiaries have redoubled their efforts to achieve, in spite of the difficult times, improved results.

In the industrial sector, mention should be made of the remarkable recovery of Béghin-Say, which is today reaping the benefits of its excellent management in the paper sector and of its investments, considered at the time very daring, in the sugar sector.

Special mention must be made of the considerable improvement in the consolidated results of Saint-Gobain-Pont-à-Mousson—higher by 59 per cent—which has been achieved through the determined efforts of an enthusiastic and able management team. The future of Saint-Gobain-Pont-à-Mousson will depend in large measure on the success of the diversification into data processing and office supplies which may reasonably be expected in the light of past performance.

In the banking sector, our two large subsidiaries are also making intensive efforts to overcome the negative effects of increasingly severe credit restrictions.

In the international sector, INDOSUEZ is confirming its position by managing or co-managing international loans of increasing number and size and opening a branch in New York, which is now operational.

The CIC Group has taken a participation of 25% in Nagelmackers Bank thus gaining a foothold in Belgium. Elsewhere, CIC is confirming and strengthening its position on the export credit market. This development, like that of INDOSUEZ, is unfortunately hampered by the credit restrictions which now apply to 50% of this type of credit, which three years ago was completely free.

This official policy of restraint not only impedes the progress of the most active banks in this field but cannot fail to have a negative effect on our country's export capacity.

In the financial sector, our banks, in an effort to comply with the wish expressed by the Government for increased involvement of French people in financing companies' activities, now wish to attract new customers. INDOSUEZ, traditionally orientated towards large companies is now directing its concentrated effort towards private individuals, offering them increasingly personalised services and financing which is both varied and highly competitive.

CIC is also making great efforts to improve the quality and range of the services it offers its customers. You will recall that, following the merger of Société d'Epargne Mobilière—a unit trust formed by Compagnie Financière de Suez and the CIC Group—with Société Nationale d'Investissement, recently reorganised as a unit trust, CIC controls one of the largest unit trusts in the market.

field of investigation. All these efforts have not been futile and in spite of the rigorous credit restrictions, in spite of the unavoidable growth in overhead expenses, trading results for the first months of the year for both CIC and INDOSUEZ are quite satisfactory.

I promised you last year that we would do our best to put before you at our Annual General Meeting the main points of our consolidated accounts. I am happy to be able to keep that promise in spite of the complexity of the task of consolidating the accounts of 205 companies. I pay tribute to the work of our consolidation team and to the efficient co-operation of the accounts departments of our subsidiaries which enable me to put before you today a folder summarising our consolidated accounts.

As you will see, our consolidated balance sheet—which for the first time includes the equities of our Group—VICTOIRE—totals 214 billion francs against 184 billion francs last year.

Our net consolidated profit is 588 million francs against 433, an increase of 36 per cent.

The inclusion of Groupe VICTOIRE is obviously a factor in the increased profit margin and on comparable structure, our profit would have increased by 27 per cent. It can be broken down into current net profit of 495 million francs against 373 million, i.e. +33%—24% on comparable structure—and 93 million francs in long term capital gains, an increase of 55%.

These figures are satisfactory and indicate that your Company's profits for the financial year 1980, which are largely composed of the dividends of our principal subsidiaries, should show further improvement. In fact, in 1980, INDOSUEZ, CIC and Saint-Gobain-Pont-à-Mousson are distributing or proposing to their Annual General Meetings, dividends increased by about 10 to 11%. Several other participations will probably pay dividends showing even higher increases.

This will enable us to continue to follow the policy of progressively increasing—at least to keep pace with price increases—our own dividend, which I mentioned in my letter of March 1980. In fact it seems very desirable to me that the purchasing power of our shareholders should at least be maintained. This is not an easy object to achieve in these troubled times, but I think you will be pleased to know that today and at least in the near future we should be able to do so.

It seems to me that this will have an important effect on the performance of our share on the Bourse. When the public becomes aware of the fact that we are in a position to apply the policy I have just outlined it should cease to expect a yield on our share nearer to that of a bond, which is subject to monetary appreciation, than of a share, which protects the investor against inflation. Thus we shall perhaps see the disappearance in large measure of the discount of over 50 per cent on net asset value to which our share is subject at present.

I hope in any case that the progressive increases in our dividends will lead our one hundred thousand shareholders to renew the confidence in us which they have always shown and which has never failed to be for your management an essential and invaluable source of encouragement.

The Report and Accounts for 1979, showing a net profit of FF 272,106,919, against FF 224,895,393 for 1978, were adopted and the distribution of dividend of 20 francs per share payable as from June 18, 1980 against Coupon No. 37, was approved. UK residents are entitled to claim a tax rebate ("avoir fiscal") of 10.00 francs. All eleven resolutions before the Meeting were passed.

An English translation of the Annual Report and Accounts will be obtainable, later, in London from SAVOUE DE L'INDOCHINE ET DE SUEZ, Securities Department, 62-64 Bishopsgate, London, EC2N 4AR (Tel: 01-558 4941, Ext. 564) or from Compagnie Financière de Suez, 1 rue d'Astorg, Paris.

UK COMPANY NEWS

MINING NEWS

BC considering \$5bn coal-fuel operation

BY KENNETH MARSTON, MINING EDITOR

A CANADIAN coal liquefaction project based on coal reserves in British Columbia and eastern Alberta (C55bn (£1.85bn)) is being considered by West German and Japanese interests, reports Robert Gibbons from Montreal.

They are looking at the liquefaction potential of major coal resources in the Hat Creek area of northern BC. Preliminary studies are proposed with a view to using South African coal-gas technology.

The BC Provincial Energy Department will have overall responsibility for the feasibility studies and also for engineering and economic research. Environmental impact considerations would follow. Likely products from the project would include synthetic fuels and industrial chemicals.

The huge low-grade coal reserve is estimated at up to 20bn tonnes and a liquefaction plant could produce up to 80,000 barrels per day of synthetic fuels.

Industry sources believe that Nisho-Iwai is the Japanese firm involved while Montreal's SNC group is carrying out a study for the Federal Government to decide on which of seven known liquefaction technologies would be most suitable to Canadian coal.

Meanwhile, the Alberta Government has offered to back a major new coal development in the Cape Breton area of Nova Scotia with the resources of the C55bn (£1.85bn) fund; the latter is derived from a charge on Alberta's oil and gas production.

The Federal Government has so far committed itself to C55bn towards the development of the Donkin mine. Having an estimated total cost of C55bn, more to open up the deposit lies offshore from Glace Bay on the east coast of Cape Breton.

America's Consolidation Coal is considering a participation in this venture and so far unidentified Japanese and European investors are also believed to be interested.

ROUND-UP

First uranium oxide exports to Japan are expected to start within a few months from Queensland Mines' new Nabarlek property in Australia's Northern Territory. The mine reached the production stage this month and anticipates an annual output rate of 1,000 tonnes. Japan's Shikoku Electric and Kyushu Electric, which lent Queensland Mines A\$75m (£37m) for the

development of the project, will take 40 per cent of the uranium output and the rest is likely to go to other Japanese and, possibly, South Korean utilities.

Thailand is reported to have ruled that local equity in foreign companies operating offshore must be increased to 70 per cent from the present 60 per cent. For companies which have completed 25 year tin mining concessions the increase must be effected within two years while for newer concerns the Thai stake must be raised over the next five years.

A Government spokesman said that Thailand's growing expertise in tin mining reduced the need to depend on foreign capital in the industry.

The country's expertise may also have to be deployed in dealing with the widespread pirate tin mining operations which so depleted the reserves being operated by Southern Kinta Consolidated off the west coast of Thailand that the Malaysian-registered company recently decided to cut its losses and pull out.

The gold they left behind

AUSTRALIA'S Peko-Walkend reports that following feasibility work it has decided to go ahead with a A\$15m (£7.4m) project to re-treat the old gold-containing tailings (waste) dumps at its Mount Morgan gold mine in Queensland.

They contain about 40m tonnes of material assaying 1.08 grammes of gold per tonne. The tailings will be recovered by dredges and treated at the rate of 3.5m tonnes per year. It is estimated that a total of 460,000 ounces of gold will be recovered over the life of the project.

Also seeking gold in old mine waste dumps is the new West Australian emerald-producing Great Eastern Mines. It has bought a 50 per cent interest in four tailings dumps containing over 600,000 tonnes of treatable material in the North Coolgardie Goldfields.

Together with its partner, Lightning Ridge Mining, the company has commissioned a feasibility study with a view to upgrading the present small treatment plant to handle 1,500,000 tonnes of material a week.

Winding up orders for 48 companies

Compulsory winding-up orders against 48 companies were made in the High Court yesterday. They were:

M. A. Stevens (Hillingdon), Hopkins Brothers (Birmingham), Latham Plant, A. & V. Lillis, Reginald Smith (Motor Cycles), and Courtney Meekhan Productions.

Sign Arts, D. & C. World Travels, Ancofield, Stockport Machinery Installations, Transstate Distribution, S. & K. Builders and Speedwell Radio Cars.

Magnadec, J. Devey, Cymont Company, Roken Properties, Moore Originals, and Albion Roadways.

Dartborough, F.A.S. (Parts), Hamlin, Thorpwise, T. & R. Carr, John Hercus, Marcia Ellis Fashions, and Ramson Engineering.

Structuresal, D. G. Halford Piles Board Company, Albabrook, Robert Day & Co., Reed Gowns, L. Kender (Bournemouth), Lintonville, and Banburn Dells.

Abkey Technical Services, Fraser & Funnell, United Crafts, Dudley Decoration, Wrigleys Steelmaking and Restoration (London), Q.S. Duplicating, and Ioanmere.

Lea Merham Holdings, G.B.P. (Builders), Obex, Shipping.

EUROPEAN OPTIONS EXCHANGE											
Series	Vol.	July	Last	Vol.	Oct.	Last	Vol.	Jan.	Last	Stock	
ABN C	F.260	1	36	—	—	—	—	—	—	F.222.50	
ABN C	F.300	1	5.70	—	—	—	—	—	—	—	
ABN C	F.310	23	1.80	—	—	—	—	—	—	—	
AKZ C	F.22.50	20	2	—	—	—	—	—	—	F.24.10	
AKZ C	F.26	4	0.60	26	1.70	—	—	—	—	—	
AKZ C	F.27.50	1	10	0.50	—	—	—	—	—	—	
AKR C	F.60	51	7.50	9	—	—	—	—	—	F.66.50	
AKR C	F.65	15	0.40	2	—	—	—	—	—	—	
EK C	F.80	10	5	—	—	—	—	—	—	85.50	
HEI C	F.60	—	—	—	—	—	—	—	—	F.60.50	
HO C	F.17.50	3	0.50	11	1.30	—	—	—	—	F.16.50	
KLM C	F.80	11	5.50	—	—	—	—	—	—	F.21.80	
KLM C	F.80	—	0.50	—	—	—	—	—	—	—	
KLM C	F.80	99	2.80	7	12.50	—	—	—	—	—	
KLM C	F.70	10	1.20	—	—	—	—	—	—	—	
KLM C	F.80	11	12	—	—	—	—	—	—	F.113.50	
NAT C	F.109.10	8	4.80	10	7.50	—	—	—	—	—	
NN C	F.110	—	—	25	1.50	—	—	—	—	—	
PHI C	F.17.50	—	—	30	1.50	—	—	—	—	F.16	
PHI C	F.20	—	—	1	0.60	—	—	—	—	0.80	
PRH C	F.80	4	1	—	—	—	—	—	—	2.20	
RD C	F.160	73	2	38	10.80	—	—	—	—	F.168.20	
RD C	F.170	143	2.80	78	5.30	—	—	—	—	7.60	
RD C	F.180	15	0.40	2	8.50	—	—	—	—	2.40	
RD C	F.160	212	1.20	10	6.90	—	—	—	—	—	
RD C	F.170	23	4.50	—	—	—	—	—	—	—	
RD C	F.170	—	—	—	—	—	—	—	—	85.50	
UNI C	F.100	—	—	4	18.50	—	—	—	—	F.116.50	
UNI C	F.110	—	—	—	—	—	—	—	—	—	
UNI C	F.110	50	5	40	5	—	—	—	—	—	
UNI C	F.120	—	—	17	2.50	—	—	—	—	—	
UNI C	F.110	1	1.70	6	—	—	—	—	—	—	
2IE C	DM270.80	Aug.	7.50	—	—	—	—	—	—	DM270	
VEB C	DM.140	—	—	5	3.80	—	—	—	—	DM145	
VEB C	DM.160	—	—	—	3.50	—	—	—	—	—	
VW C	DM.180	—	—	7	—	—	—	—	—	DM183.48	
GM C	845	June	4.50	1	5.50	—	—	—	—	949	
GM C	560	—	—	1	10	6.50	—	—	—	29	
TOTAL VOLUME IN CONTRACTS											
C=Call											
1835											

OIL AND GAS NEWS

Australian oil shale find

BY GEORGE MILLING-STANLEY

TWO NEW large deposits of oil shale have been discovered in Queensland, Australia, by Southern Pacific Petroleum and Central Pacific Minerals, two of the partners in the Rundle oil shale joint venture in the state.

According to detailed figures released by Mr. Ian MacFarlane, chairman of both companies, the Condor prospect, between Prosperpine and Mackay on the coast of central Queensland, is estimated to contain 6,040m barrels of shale oil at a cut-off grade of 40 litres per tonne of shale, or 4.2m barrels at a cut-off of 50 litres per tonne.

The Stuart prospect, south of Rundle near Rockhampton on the southern central Queensland coast, is estimated to contain 2m barrels of shale oil at a cut-off grade of 40 litres per tonne.

Rundle, which is to be developed in partnership with Esso Exploration and Production Australia, a subsidiary of America's giant Exxon oil company, contains an estimated 2,020m barrels

at 40 litres per tonne cut-off. If everything goes according to expectations, Rundle will come into production some time after 1984. It has been estimated that by then the project could be providing as much as 25 per cent of Australia's domestic petrol requirements.

Mr. MacFarlane said that detailed evaluation studies of the Condor and Stuart prospects have begun, and new tests of the Rundle deposit suggest an improvement of about 10 per cent in the estimated yield.

Philippine Cities Service has found oil while conducting a drill stem test on an offshore well in Northwest Palawan Island province. Further tests are needed to determine the flow rate of the oil, according to Mr. Gerardo Velasco, Energy Minister of the Philippines.

Cities Service is operating the Northwest Palawan contract for a consortium including Husky Oil Philippines, Philippine Overseas Drilling and Oil, Basic

Petroleum and Mineral Landfill Resources, and Occidental Petroleum and Mineral.

Oil was first discovered in the Philippines in 1976, and domestic production last year was 1,600m tonnes. The country estimates that oil imports this year will rise from 7m barrels to 8m barrels.

The Subanago natural gas field in Bataan province in Spain has estimated annual production potential of between 1.9m and 2m tonnes of oil equivalent, according to St. Ignace Bayon, Industry and Energy Minister. The latest production estimates were made following encouraging results obtained from the Serrano Two trial bore some distance from the other test holes, he said.

The French Trade Ministry has awarded Elf-Aquitaine a preliminary licence to explore for oil and gas in the English Channel. The permit is called Nord-Couentin, and borders on six French coastal departments.

FOSTER BROTHERS

Clothing Company Limited

"Sales rose to just short of £90 million and trading profits increased by 11% being over £1 million ahead of the previous year"

B. G. Davison, Chairman.

As the Group moves into the 1980's here are other salient points from the Chairman's circulated statement:

- Foster Menswear trading from some 510 branches throughout the U.K. continued to progress better than the menswear industry as a whole.
- Adams Childrenswear is now trading out of 73 units and profit performance for the year has been very satisfactory.
- Our property investments have continued to appreciate and are now valued by the Directors at £17.5 million in excess of net book value.
- The sales performance during the first few weeks of the present year has reflected the difficult trading conditions; nevertheless turnover has increased by 15%. I am sure we will survive any recession better than many of our competitors.

Summary of Results

Year ended	29.2.80	28.2.79
	£000's	£000's
Sales (incl. VAT)	89,836	67,824
Profit before tax	10,710	9,782
Profit after tax	5,945	5,642
Earnings per share	12.9p	12.6p

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Companies and Markets

UK COMPANY NEWS

BIDS AND DEALS

Arab demand prompts £4.1m Nichols (Vimto) purchase

BY ANDREW FISHER

THE FAST growing Arab taste for its major product has prompted soft drinks group J. N. Nichols (Vimto) to purchase Solent Canners in a £4.1m deal which will give British and Commonwealth Shipping a 20 per cent stake in Nichols.

Vimto, sold as a cordial or served in bottles or cans, is produced in the north of England but virtually unknown in the south. Sales to Arab countries, where alcohol is banned, accounted for over half of Nichols' sales last year.

British and Commonwealth is effectively swapping its 78 per cent stake in Solent Canners, whose main business involves Vimto, for a fifth of Nichols, which would rise to 35 per cent on full year stock conversion.

Nichols is paying with 1m of its ordinary shares—quoted at around 300p ex-dividend—along with £1.82m in 10 per cent convertible loan stock 1981-90, and

£414,500 in cash. After taking account of a one-for-one scrip issue planned by Nichols, the deal values Solent at just over £4m.

"It was logical to bring the whole lot under one ownership and really push sales of Vimto world-wide," commented Mr. Brian Kilby, a director of Nichols and also its company secretary. Nichols advisers are Hill Samuel.

Last year, 71 per cent of Solent's business, or £9.4m, represented sales of canned Vimto to the Arabian Peninsula, though this was down on the £13.7m (76 per cent) achieved in 1978. Net assets total £2.5m, and Solent has nearly £3.5m in cash on deposit.

Solent's profits dropped in 1979 from £2m to £1.3m, with sales declining from £18m to £13.7m. This was largely in reaction to the higher than normal 1978 shipments to the

Nichols agent in Saudi Arabia; the UK lorry drivers' strike and the impact of sterling's strength on exports also played a part.

Under an agreement with Solent, which has a non-exclusive canning and bottling licence for Vimto in the UK and exclusive licences for most other countries, the Saudi agent is building a soft drinks plant in Dammam and arranging the finance locally.

The Dammam factory should come on stream in 1981. Until then Solent's local market share is likely to decline. Nichols itself has already put in a new export bottling line at Chorley, near Preston.

In its annual report, also out yesterday, Nichols' chairman, Mr. Peter Nichols, said there should be steady expansion in home and export markets this financial year. North America is one area for possible expansion.

"However, if the present high level of world sugar prices persists, margins on export sales may come under pressure," he added. Nichols lifted pre-tax profits from £1.3m to £1.8m in the year to March 31, 1980, on sales up from £8.2m to £10.1m.

Exports, predominantly to Arab countries, rose from £2.8m to £5.8m. Sales in the UK were nearly 17 per cent higher, and Nichols foresees a gradual rise in sales outside the north as the large supermarket chains make Vimto more widely available.

restored: Southern Malaysian Tin Dredging, Southern Kinta Consolidated, Malaysian Tin Dredging.

BOC PAYS £1.1M IN SHARES

According to the terms of the agreement for BOC International's acquisition of Software Sciences International, an additional consideration of £1.1m has become payable. This has been satisfied by the issue of 1,655,199 shares.

MORE EWER SHARE PURCHASES

Laurens Prust and Co., brokers to George Ewer and Co., currently the subject of a bitterly contested takeover bid from T. Cowie, went into the market again on Friday and purchased a further 30,000 shares of Ewer on behalf of associates at 56p.

This compares with the basic offer price of 52p or 55p if the Eastern Tractors deal falls through. Listing for the new Ewer shares in connection with its purchase of Tractors is expected to be granted tomorrow.

LLOYDS & SCOTTISH

S. G. Warburg and Co. announces that its offer of 2.36m new ordinary 20p shares in Lloyds and Scottish at 125p per share on behalf of Lloyds Bank and The Royal Bank of Scotland has been accepted by other shareholders, in respect of 1.92m new shares, or 81.4 per cent of the new shares offered.

On this basis, the two banks will renounce in equal proportions, 1.92m new shares in favour of accepting shareholders and will retain the balance. Each bank will then hold 38.28 per cent of the share capital of Lloyds and Scottish.

Craig & Rose behind

A fall of £18,000 to £315,000 in pre-tax profits is reported by Craig and Rose, paint manufacturer, for 1979. At half-year profits were marginally ahead at £120,894 compared with £117,391. After tax of £161,000 against £173,000, stated earnings per £1 share are down from 156.55p to 150.89p, and the final dividend is raised from 24.302p to 30p making the total 42.5p, which includes a special payment of 10p. Last year's total was 26.402p.

New members for London Discount Mkt.

Messrs. Page and Gwyther and Messrs. Gerald Quin Cope and Co. have been elected to membership of the London Discount Market Association.

Page and Gwyther was established as a partnership in 1983 and in 1973 the firm was constituted a limited company. It now has an issued share capital of £1.5m. The company's activities embrace the full range of sterling negotiable instruments with particular emphasis on the discounting of Bills of Exchange.

Gerald Quin Cope and Co. was established in 1983 and in 1972 the banking and discounting firm was converted to a private limited company. Its capital was increased by £700,000 on May 19 this year and resources now exceed £1.5m.

SHARE STAKES

C. H. Bailey—Mr. C. H. Bailey, director, has disposed of 89,000 ordinary shares.

J. E. England and Sons (Wellington)—Walter Duncan and Goodrich increased its holding to 755,000 shares (15.1 per cent).

REPORTS TO MEETINGS

Simon Engineering facing short term difficulties

ALTHOUGH IT was extremely difficult to assess even the next two years, Simon Engineering would be striving to maintain its profit growth record in 1980 and the Board was confident about the group's longer term future, said Mr. Harry Harrison, the chairman, at the annual meeting.

The immediate future would be very difficult and this year's trading so far indicated that a number of the group's UK companies had deteriorating order prospects.

Simon was in certain industry sectors that should "buck the trend" and its overseas companies would be contributing strongly, but exporting from the UK would be very tough and was bound to have its effect, Mr. Harrison said.

However, the group would be doing its best by taking positive and aggressive action to try to win orders available, at the same time maintaining its emphasis on keeping its technology up to date.

The serious world trade outlook, aggravated for some group companies by international political unrest, would inevitably have an effect on its performance over the next two years.

During last year over £18m was invested or re-invested in a variety of projects, with the group pursuing its policy of growth partly through entering new but related fields and partly through strengthening its existing mainstream activities. The chairman said this effort was continuing in 1980 and it was possible that last year's scale of investment might be exceeded.

At other annual meetings, the chairman made the following remarks:

Mr. George McWatters said that despite the difficulties caused by the steel strike, high interest rates and the strong pound, trading profits of Ward White Group

for the first four months of this year were at about the same level as for the corresponding period last year.

The group's overseas interests were performing satisfactorily and, given an upturn in trade in the UK in the second six months, he was hopeful of reporting a satisfactory full-year outcome.

Difficulties had centred on the group's Northamptonshire factories, where the majority of its men's leather footwear was made, but steps had been taken to rationalise this particular activity into fewer and larger units, taking account of the longer-term interests of the group.

The acquisition of the Childs Corporation of the U.S. had "considerably strengthened" the group balance-sheet, and Mr. McWatters expected the company to make an important contribution to group profits.

Following this acquisition, turnover of the overseas division, plus export sales, would represent 42 per cent of group sales. This had been achieved without any deterioration of the group's balance sheet which

would eugur well for growth prospects in future years.

At a time when corporate results generally were under pressure, Allied Plant Group continued to surmount the difficulties that beset business today, Mr. Michael Heathcote told members.

With trading in all group divisions at a high level in the first five months of the year, the Board was confident that the rising trend in earnings and assets per share could be maintained.

Having recently completed the acquisition of M. Walker and Son, Hull-based heating and plumbing engineers, the group continued to look at opportunities for expansion, by acquisitions that would strengthen existing activities and through diversification into allied fields.

Mr. Philip Panto, head of the tobacco, confectionery and grocery concern, P. Panto and Co., warned that although urgent steps were being taken to rectify the loss-making situation, he did not anticipate the company returning to profitability until, at the earliest, 1981, but more probably the following year.

Capper Neill orders good

DESPITE THE continuing UK market depression and to a lesser extent the world recession, Capper Neill, process plant group, has started the current year with an encouraging order book for all its major companies, says Mr. W. P. Capper, the chairman, in his annual statement.

The rationalisation plans being implemented and the more settled national labour conditions prevailing are leading to a discernible improvement in business, which is likely to be reflected in second-half results for the current year.

As reported May 30, an increase in interest charges from £0.64m to £1.16m led to pre-tax profits for the year ended March 31, 1980 showing an 8 per cent fall to £5.08m.

On a CCA basis, adjusted pre-tax profits are shown as £1.70m (£3.95m). At the available level, current cost profits of £0.9m are insufficient to cover the total dividend payment of £1.21m, this being mainly due to substantially increased inflation and interest rates.

Meeting, Manchester, July 10, at 11.30 am.

Restaurants sale by Sheffield Refreshment

Sheffield Refreshment Houses has reached agreement for the sale of the businesses and assets of Omega Restaurant and Kenwood Restaurant.

The consideration of £170,000 cash will be applied in reduction of bank borrowings necessitated by the recent purchase of Roslyn Court Hotel and St. Andrew's Hotel, the directors say.

The Omega Restaurant has not made its due contributions to group profits in recent years and the sale has development problems.

These sales, coupled with the recent acquisition, are not anticipated to make any immediate impact on group profits, but the Board believes that material benefits will accrue from 1981/82 onwards.

LISTINGS RESTORED

The following companies have had their Stock Exchange listings

UBM Group Limited

A Record Year

Michael Phillips, Chairman, reviews the year ended 29th February, 1980.

- * Pre-tax profits more than doubled at £12½M.
- * Total dividend up 16% to 5½p.
- * Revaluation of properties reveals surplus of some £21M.
- * Group's borrowings cut to 18% of shareholders funds.

“Benefits still to come from reduction in costs and improved efficiency—since the beginning of new financial year more difficult trading conditions—nevertheless, the Group now in a much stronger position to face these conditions and to take advantage of suitable opportunities to expand its businesses.”

For a copy of the full Report write to The Secretary, UBM Group Limited, Avon Works, Winterstoke Road, Bristol, BS39 7PL.

Builders Merchants: Motor Dealers: Glass Merchants: Scaffolding Contractors: Overseas Merchants.

FIRST CANADIAN INVESTMENTS LIMITED

NOTICE OF ADJOURNED MEETING OF THE HOLDERS OF 10% NOTES DUE JANUARY 1, 1981 OF FIRST CANADIAN INVESTMENTS LIMITED

NOTICE IS HEREBY GIVEN that the meeting of the holders of the 10% Notes due January 1, 1981 (the "Notes") of First Canadian Investments Limited (the "Company") issued under a Trust Indenture dated as of December 1, 1975 (the "Trust Indenture") executed by the Company in favour of The Royal Trust Company as trustee (the "Trustee"), called to be held at 11.00 a.m. Montreal time on the twelfth day of June, 1980 in the Board Room of The Royal Trust Company, 5th floor, 630 Dorchester Boulevard West, Montreal, Province of Quebec, Canada for the purpose of considering and, if thought fit, passing, as an extraordinary resolution pursuant to the provisions of the Trust Indenture, a resolution for the purposes referred to in the Notice dated the sixth day of May, 1980 calling the said meeting, has been adjourned for lack of a quorum and will be held at 11.00 a.m. Montreal time of the fourth day of July, 1980 at the same place.

The Trust Indenture provides that at such adjourned meeting a quorum shall consist of the Noteholders then and there represented in person or by proxy. A resolution adopted upon a poll by the affirmative vote of not less than sixty-six and two-thirds per cent (66⅔%) of the votes given upon such poll shall be considered an extraordinary resolution within the meaning of the Trust Indenture.

DATED at Montreal, Province of Quebec, this twelfth day of June, 1980.
THE ROYAL TRUST COMPANY,
Trustee.

First Quarter Report:

Tenneco's energy investments produce record performance.

Heavy investments in energy programs during the past five years, providing increased income from oil and natural gas production, led the way to record financial results in the first quarter of 1980. Net income and fully diluted earnings per share were both up 45 percent as compared to the same period last year, while operating revenues gained 36 percent.

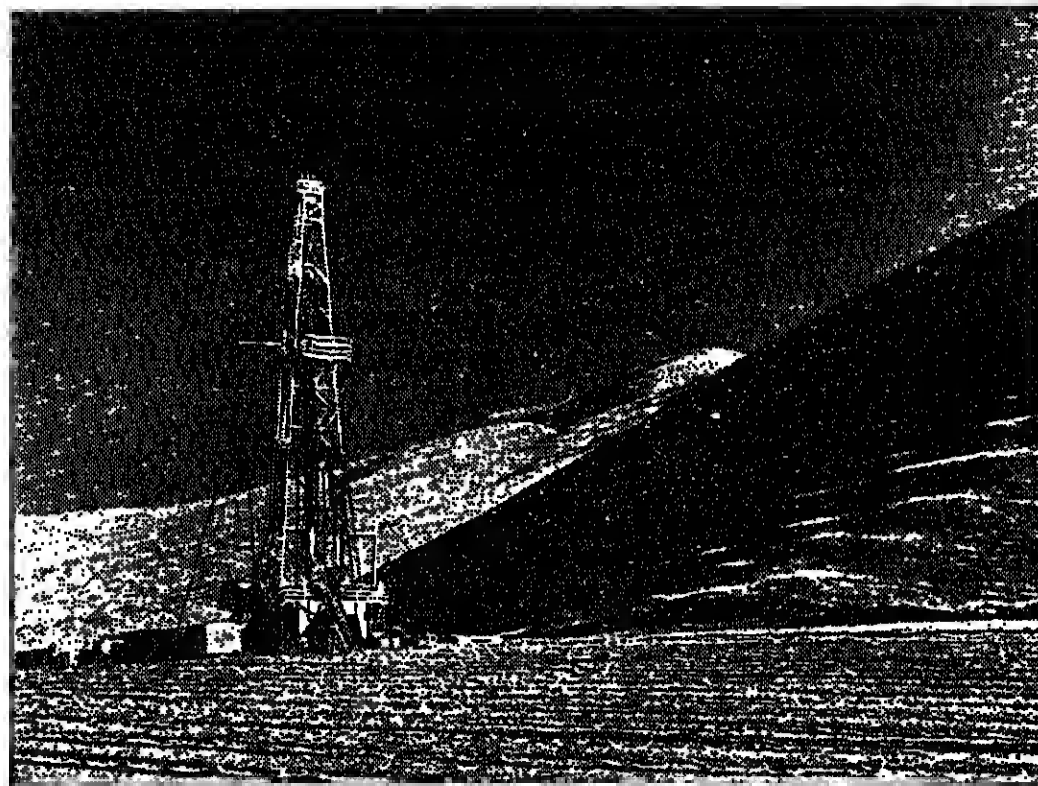
Since the oil embargo of 1973, Tenneco has sharply increased its investments in energy projects. Last year alone the Company spent more than \$1 billion on energy—most of it in the United States. Not only is the Company drilling more wells, but it is drilling more successful wells. For the first quarter of this year Tenneco made discoveries on eight of its 16 exploratory wells, a success rate well above the industry average. In development drilling the success rate was 86 percent.

Tenneco is also investing in promising non-conventional energy sources. It is an equal partner in a giant oil shale recovery project in Colorado, is preparing to enter a test production program in the Athabasca tar sands in Canada, and is participating in the construction of the first commercial-size coal gasification plant in the United States. In 1980 Tenneco will again spend well over \$1 billion on energy programs, more than double the net income of the entire corporation last year.

Although oil and gas operations led the way to the first quarter's record results, nearly all of Tenneco's major businesses had gains in operating income.

That's Tenneco today: growing in energy... and more.

For more information about Tenneco, write Tenneco Inc., Dept. FT-4, P.O. Box 2511, Houston, TX 77001, U.S.A.



This Tenneco wildcat well in the San Joaquin Valley in California recently discovered oil at a depth of more than 14,000 feet. It is one of the deepest producing wells in the state, and part of our continuing effort to develop new energy supplies in the United States.

Financial Highlights

(Millions Except Per Share Amounts)

	1980	1979	Percent Change
Operating revenues	\$3,316	\$2,447	+36
Net income	\$ 178	\$ 123	+45
Earnings per share of common stock—			
Average shares outstanding	\$ 1.62	\$ 1.17	+38
Fully diluted	\$ 1.61	\$ 1.11	+45
Dividends per share of common stock	\$.60	\$.55	+9
Average number of shares outstanding	105	98	+7
Capital expenditures	\$ 306	\$ 186	+65

Investor Information

Common stock: traded on major U.S. and International exchanges

High/low price range:

First quarter, 1980—\$45½ high;
\$31¼ low
Latest 12 months—\$45½ high;
\$30¾ low

Price at March 31, 1980: \$34¾

Price/earnings ratio: 6.5:1

Current annual dividend rate:

\$2.40 per share

Current yield (3/31/80): 7.0 percent

Tenneco

TENNECO COMPANIES IN THE UNITED KINGDOM INCLUDE:

ALBRIGHT & WILSON LTD. J I CASE COMPANY LTD. DAVID BROWN TRACTORS LTD. GLOBE PETROLEUM SALES LTD. HARMO INDUSTRIES
FOCLAN LTD. TENNECO CHEMICALS EUROPE LTD. TENNECO EUROPE INC. TENNECO OIL CO. TENNECO WALKER (UK) LTD.

Burlington Northern takeover delayed

Last month the circuit court granted injunctions against the merger after complaints were filed by the Missouri-Kansas-Texas Railroad Company. Missouri-Kansas was joined in its petitions by Soo Line Railroad Company, which had been denied access to the expanded railroad and refused rights to acquire certain grain-gathering lines when the ICC granted its approval in April.

FTC to ease curb on sale of Arco's Anaconda assets

In London for the listing of the large U.S. chemical, metals and consumer products company's 72.5m shares on the Stock Exchange, Mr. Sneath recalled stating in the last annual report that it would be

"I still feel that way despite an extremely strong first quarter," he said, noting the suddenness with which the recession has gripped the U.S. Reported profits, however, will probably show an increase due to recent changes in the company's accounting policies, mainly to extend depreciation schedules.

Net income in the first

accounting change was \$213.5m or \$3.32 a share on sales of \$2.6bn, compared with \$124.6m or \$1.91 a share on sales of \$2.2bn. After the accounting change, net income in the current period was \$437.2m or \$6.60.

Earnings for the whole of 1979, if restated for the accounting change would be \$10.23 a share compared with a reported \$8.47 a share.

Wider lending role suggested for IMF

But at the same time Dr. Friedman believed that commercial banks would continue to channel increasing amounts of money to deficit countries. He was much more optimistic than many other private bankers about the system's ability to recycle OPEC

Peugeot-Citroen to raise \$400m revolving credit

to make

its Eurobon

and debut

Tough going at Union Carbide

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Reported profits, however, will probably show an increase due to recent changes in the company's accounting policies, mainly to extend depreciation schedules.

Net income in the first

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Continental Illinois expected to make its Eurobond debut

expected to announce its first Eurobond later today. The nominal borrower is Continental Illinois Overseas Finance NV and the bond will be guaranteed by the parent corporation.

market trading yesterday with most prices slightly easier, unchanged on the day. In floating rate note sector prices are holding up well. Yesterday the Venezuelan state-owned corporation, Sidor, launched a \$50m eight year floating rate

Figures just released by Morgan Guaranty in its latest issue of International Financial Review show that the amount of foreign currency loans to Latin America in 1975 has been arranged through Allgemeine Bank Nederland. The borrower is paying a coupon of 10 per cent for seven years.

Aid for Michelin, snub for Quebec

Michelin's C\$400m expansion has been planned for more than a year and will extend the range of tyres it produces in Nova Scotia from truck tyres to those

tion to the U.S. market. But as it turned out Michelin had severe problems with the Nova Scotia construction unions, and said it would never build in Nova Scotia again.

The mine, costing about C\$60m, has been a pet project of the separatist Parti Quebecois

labour. Such policies increasingly are being used against fellow-Canadians, rather than as a form of protection against foreign competitors.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Change on				OTHER STRAIGHTS—						
	Issued	Bid	Offer	differential	Issued	Bid	Offer	differential			
Alcoa of Australia 10 89	80	94	94 1/2	-0 1/2	11.04	R. B.C. Canada 10 86 C	80	94	94 1/2	-0 1/2	11.04
Australian Res. 91 84	30	36 1/2	37	-1 1/2	0.82	R. B.C. Canada 10 94 C	40	82 1/2	83 1/2	-0 1/2	11.32
Rasbuck 91 84	30	36 1/2	37	-1 1/2	0.82	Toronto Can. 10 85 C	30	82 1/2	83 1/2	-0 1/2	11.32

[illegible]

Federal Paper Board confident on outlook

FEDERAL Paper Board expects net income for the second quarter ended June 14 to be better than the net of \$6.5m, or 96 cents a share, in the second quarter last year.

Holiday Inn lifts forecast

HOLIDAY INNS which, with more than 1,700 company managed and franchised inns, constitutes the world's largest chain lodging operation, expects higher income per share from continuing operations in the second quarter and six months of 1980. Mr. Michael D. Bass, the president,

Hidroeléctrica Española S.A.
U.S. \$150,000,000
Medium Term Loan

Banco de Vizcaya Manufacturers Hanover Limited
Banco Español de Crédito (Banesto) Banco Hispano Americano, S.A.
BankAmerica International Group
Banque Belge Limited – Société Générale de Banque S.A.
Barclays Bank International Limited *Sucursal en España*
Caja de Ahorros de Zaragoza, Aragón y Rioja (Cazar)
Crédit Lyonnais Deutsche Bank
Compagnie Financière Luxembourg
Dresdner Bank Aktiengesellschaft Grindlay Brands Limited
National Bank of Canada Standard Chartered Bank Limited
Banco de Bilbao, S.A.

Banco Español de Crédito (Banesto) Bank of America NT & SA
Barclays Bank International Limited Sucursal en España
Crédit Lyonnais Deutsche Bank
Dresdner Bank Aktiengesellschaft Sucursal de Madrid Compagnie Financière Luxembourg
Manufacturers Hanover Trust Company Grindlays Bank Limited
Société Générale de Banque S.A. National Bank of Canada
Standard Chartered Bank Limited

Société Générale de Banque S.A. Standard Chartered Bank Limited
 Banco Hispano Americano, S.A. Banco de Vizcaya, S.A.
 Caja de Ahorros de Zaragoza, Aragón y Rioja (Cazar) Banco de Bilbao, S.A.
 Bank für Handel und Industrie Aktiengesellschaft National Bank of North America
 Bank of New South Wales The Bank of New York
 Bank of Nova Scotia Channel Islands Limited Caja de Ahorros de Alicante y Murcia
 International Commercial Bank Limited Sofis Limited
 Die Kommünale Landesbank International S.A. Banque Générale du Luxembourg
 Bankers Hanover Banque Nordique Australia and New Zealand Banking Group
 Banco do Estado de São Paulo (Banespa) *Paris Branch*
 Commerciale pour l'Europe du Nord (Eurobank) Banque Vernes et Commerciale
 Caisse Centrale des Banques Populaires Caja de Ahorros Provincial de Albacete
 Caja de Ahorros de Valencia Caja Provincial de Ahorros de Cuenca Crédito del Norte

June 1980

مكتبة النصارى

MIXED RESULT FROM WestLB

Profits lifted on overseas strength

BY ROGER ROYCE IN BONN

A DROP in domestic net profits was recorded by Westdeutsche Landesbank (WestLB) last year. The bank is continuing to suffer from the West German banking malaise of severely squeezed interest rate margins. However, because of the buoyant overseas business, consolidated profits were up 10 per cent, turned in a fairly satisfactory result.

That was the mixed picture best described as one of enlightenment, pessimism, painted by Dr. Johannes Voellgel, chairman of WestLB, at the bank's annual news conference in Düsseldorf. Domestic net profits reached DM 12m (\$6.65m) compared with DM 137m in 1978 and total assets amounted to DM 94.5bn (\$54.36bn), an increase of 10 per cent. Business volume increased to DM 130.4bn, against DM 120.7bn in 1978.

This saga is now a familiar one among the top West German banks. Rising money market rates and the continuing tight monetary policies of the Bundesbank have taken their toll of the bank's interest surplus. Meanwhile, administrative costs have been soaring — last year WestLB's staff and operating expenses grew by 6.3 per cent to over DM 700m.

The relative good fortune of WestLB's overseas business — steadily expanded during the late 1970s — has been the bank's main solace. The WestLB group, that is, including its Luxembourg subsidiary, WestLB Asia and the Banque Franco-Allemande, in which it has a 70 per cent stake — recorded a balance sheet total of DM 103.6bn, 11 per cent up on 1978. Despite a lower interest surplus — margins are

under siege in overseas business as well — WestLB increased group net profits to DM 188m against DM 152m. This was largely because of increased earnings in the foreign exchange section.

The early expansion overseas — WestLB has been far more ambitious on foreign markets than other Landesbanks — is thus beginning to pay off. The bank has used its wide overseas network to handle a number of overseas credits at favourable rates and thus compensate for the poor margins on Euromarkets.

WestLB is well up with the big three — Deutsche, Dresdner and Commerzbank — as far as the international loan business is concerned. The bank led and co-managed 113 syndicated loans in 1979 compared with 94 in the previous

year. The total volume of syndicated loans actually managed by the WestLB amounted to DM 23bn. The bank was among the top world banks last year, both as an issuing house and in the Deutsche Mark foreign issue sector.

Dr. Voellgel sees some brighter glints on the horizon but he believes that the pressure on interest margins is now a fixed element and not a transitional phenomenon.

He believes that construction financing could well improve in the coming year and the bank's role in the financing of the two Atucha nuclear power stations (to be sold to Argentina) will also have a beneficial effect on the 1980 result. Nonetheless, WestLB executives are not expecting this year's earnings to exceed those of 1979.

Investment plans limit growth at SEV

By Terry Dodsworth in Paris

HIGH DEPRECIATION charges tied to a heavy investment programme limited the growth of profits last year at SEV, the French vehicle electrical company. Net consolidated revenue went up by only 0.3 per cent from FF 41.6m (\$6.9m) in 1978 to FF 41.2m, said the company yesterday.

By contrast, group consolidated turnover continued to increase rapidly, going up by 15.6 per cent to FF 238m. A significant portion of this advance was attributable to expansion overseas, where turnover went up by almost 26 per cent to reach a quarter of total sales.

The company's high rate of investment is reflected in last year's figures, which show expenditure of FF 221m, or about 8 per cent of turnover. SEV says that 70 per cent of the investments were financed out of depreciation, with cash flow rising by 20 per cent to reach FF 200m.

SEV is part of Valeo group, formerly called Ferodo, which embraces France's main component manufacturing interests. Among the company's trade marks are Cible, Marchal and Paris-Rhone.

Recently the company became involved in Ducellier, the French vehicle electrical group in which Lucas of the UK has a half interest. Talks are now going on with the British group on the reorganisation of the Ducellier product line.

Torras Hostench, s.a.

\$15,000,000
MEDIUM TERM LOAN

Managed by

HILL SAMUEL & CO. LIMITED

Provided by

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BANCO TOTTA & AÇORES LONDON BRANCH	THE FIRST NATIONAL BANK OF BOSTON
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BANCO EXTERIOR DE ESPAÑA

March 1980

Surge in sales at Nixdorf

By Kevin Dene in Frankfurt

NIXDORF, the West German computer group, has started the current year strongly with an increase of 43 per cent in new orders taken in the first five months of the year.

The group, which is still expanding rapidly, appears confident of following closely the sales successes of the last three years, when turnover increased each year by more than 20 per cent.

Worldwide sales, including rental and service income, last year increased by 23 per cent to DM 1.25bn (\$745m), while after-tax profit totalled DM 83m (\$48.5m).

The group's workforce is also being built up rapidly to cope with the expanding workload, and more than 800 additional employees have been engaged in the first five months of the year, taking the group workforce to more than 12,000.

At the end of May the group's order book was standing at DM 1.2bn, an increase of some 40 per cent. According to Herr Heinz Nixdorf, chief executive of the family-controlled group, product price increases in the computer sector will be unavoidable later this year.

AEG-Telefunken, West Germany's second largest electrical and electronics group, has also taken a small step towards expanding its interests in computer technology with a part acquisition in the U.S. It has taken a 10 per cent interest in the Ontel Corporation, in Woodbury, New York, for \$3.5m.

Ontel, which is a specialist in the manufacture of screen computer systems that can be freely programmed, expects a turnover this year of some \$30m, up from \$23m in 1979.

AEG is putting two members on the supervisory board of Ontel and is aiming at a joint development programme, which will pay particular attention to the demands of the European market.

AEG, which has been preoccupied in recent years with dealing with the financial crisis that brought it close to collapse in 1979, has been slow to enter the U.S. electronics market.

By contrast, Siemens, the biggest West German electronics group, has bought more than six companies in the U.S. in the past year at a total cost of some \$100m, although it too has only a tiny share of the U.S. market.

A major part of the AEG recovery strategy is to increase its local manufacturing presence in foreign markets, particularly in the U.S., where it is dangerously under-represented. Last year its U.S. sales totalled only DM 150m.

Its first important engagement in the U.S. high technology market was completed earlier this year, when it spent \$30m on acquiring a 25 per cent interest in Modcomp, a computer company.

Herr Heinz Duer, the chairman of AEG-Telefunken, said that the company would reduce its domestic workforce by 7,000 in 1980 from 125,000 at the end of 1979. Reuter reports from Hamburg that further reductions would be inevitable in subsequent years in areas where micro-electronics was gaining a foothold.

Herr Duer said that energy saving devices, microcomputers and terminal screens were areas in which he foresaw progress.

Credit Suisse rejects Bozzo claim

BY JOHN WICKS IN ZURICH

THE ITALIAN industrialist, Mr. Ferdinando Bozzo, has called on the Zurich commercial court to declare the Swiss bank Credit Suisse bankrupt. This unusual move has been taken in connection with a claim made by Mr. Bozzo against the bank for SwFr 52.3m (\$82.5m) in respect of shares in the Italian milling company, Molini Certosa.

Credit Suisse says it is "unmoved" by the claim. The bank says Mr. Bozzo appeared with a

Van Gelder sees higher losses

BY CHARLES BATCHELOR IN AMSTERDAM

VAN GELDER PAPIER, the Dutch paper maker, expects higher losses this year but foresees an improvement in 1981. This follows the net loss of FF 54.9m (\$29m) last year on sales which were marginally higher at FF 815m (\$424m).

Crown Zellerbach, the U.S. paper group which has a 50 per cent stake in Van Gelder, has written off its entire interest which had previously been valued at \$33.9m. Crown took this step in the light of the Dutch group's poor performance over the past five years, but has no plan to sell its holding.

Van Gelder faces an exceptionally difficult year with the proposed restructuring of its paper division likely to have little or no effect on the 1980 result. The market for paper products is sombre and further

increases in energy and raw material prices have occurred in the past few months, it said in its annual report.

The running-in problems of a number of paper-making machines have lasted longer than expected, and a newspaper company in which Van Gelder has an 80 per cent share is expected to make a substantial loss. The remaining divisions, which include packaging, trading, and fibre products, are expected to improve their performance, though this will not compensate for the losses on paper making.

Van Gelder's problem is the oversupply in most sectors of the paper market coupled with competition from integrated pulp and paper makers which have lower production costs. The group expects to be able

to carry out necessary restructuring over the next two years, helped by the "breathing space" allowed by its financiers. It has mortgaged its assets to its creditors and recently gained approval from bondholders to delay the repayment of a FF 50m loan.

Van Gelder plans to concentrate newsprint production at one site and wood-free paper-making at two factories. Its packaging and other paper activities will also be reviewed.

Van Gelder made an operating loss of FF 45.5m last year following a profit of FF 23m in the year before. It made investments worth FF 46.1m compared with FF 15.4m. Shareholders' equity fell to FF 195m from FF 266m, while borrowed assets rose to FF 263m from FF 226m.

Borregaard reports good start

BY FAY GJETER IN OSLO

BORREGAARD, the Norwegian industrial group prominent in wood processing and food production, reports pre-tax profits of Nkr 42.6m (\$8.8m) in the first four months of 1980, an increase of Nkr 18.6m on the same period a year earlier.

Group sales in January-April were worth Nkr 1bn, 12 per cent up on January-April 1979. If sales in the period by the group's Austrian mills are disregarded (the mills were sold by Borregaard, effective July 1 last year), the increase affected sales of all the group's main products, but was most marked for chemicals.

Borregaard's interests span foodstuffs, edible oils and fats, textiles, chemicals, forest pro-

ducts, printing, cosmetics and toiletries, and mining and metals.

Looking ahead, the group's report predicts that results for 1980 as a whole may turn out to be somewhat weaker than for 1979. The final eight months of last year saw a considerable improvement in sales and profits from January-April but this trend is unlikely to be repeated in 1980 in view of the present international economic situation.

Group liquidity and net financial costs continue to develop favourably, however. New loans have not been taken up and investments have been financed from the group's own resources.

Capital expenditure during

the first four months of 1980 totalled Nkr 38.4m, compared with Nkr 52.5m in the same period of 1979. Major projects now in hand, or in the planning stage, include a new drying machine for pulp and a new factory for products based on sulphite waste liquor, both at the group's facility in Sarpsborg, East Norway.

A new factory for frozen foods is being built near Fredrikstad. In addition, Borregaard subsidiary, Denofa-Lilleborg, is substantially expanding its detergent factory in Oslo, and modernising its edible fats factory at Fredrikstad.

The group is considering further involvement in chemicals and petrochemicals.

Fiat makes changes at IVECO

BY PAUL BETTS IN ROME

MR. JACQUES VANDAMME, the chief of IVECO, Fiat's commercial vehicle concern, has resigned, Fiat confirmed in Turin yesterday. But the company, Italy's largest private enterprise, declined to comment on reasons for the sudden resignation of Mr. Vandamme.

He is to be replaced by Sig. Giorgio Manina, who has been a senior executive of Fabbri, the Fiat-controlled Italian publishing concern, as well as of the Rinascente department store group in which IFL, the Agnelli Fiat family company, holds the single largest stake. Sig. Manina was previously with Olivetti electronics and office equipment group.

The changes at the top of

IVECO appear to reflect broader changes taking place inside the Fiat group as a whole at a time when the giant Turin conglomerate is returning to a more centralised form of leadership structure.

These changes coincide with growing anxieties over Fiat's car and truck manufacturing operations, which reported a combined loss of Li 105.4bn (\$127.29m) last year, although Fiat SpA, the parent holding company, reported a profit of Li 39.4bn in 1979.

In the case of IVECO, the problem has been complicated by the decision earlier this year of the West German Kloeckner-Humboldt-Dentz (KHD) concern to withdraw from IVECO by

selling back to Fiat its 20 per cent shareholding in the commercial vehicles group.

Fiat, which is now seeking another foreign partner for IVECO, is understood to be planning to take KHD to arbitration because of disagreements over the price the Italian group is to pay for the West German company's 20 per cent shareholding. But, at this stage at least, Fiat appears hopeful that an agreement over the price can be reached before the case is taken to arbitration.

According to the original deal which led to the IVECO joint venture between Fiat and KHD, the West German group had the option to pull out of the venture after five years.

German bank expands

BY OUR FRANKFURT CORRESPONDENT

The West German co-operative bank, Deutsche Genossenschaftsbank, has expanded overseas by following several other German banks to Singapore, Hong Kong and Tokyo.

The DG Bank is the central institution of more than 4,400 urban and agricultural co-operative banks in the Federal Republic.

In recent years it has been mounting a major effort to catch up with other leading West German banks by opening up its own branches in important financial centres.

The branch in Hong Kong will concentrate its business on

export financing, commercial foreign business, money markets and foreign exchange. The Singapore branch will give the bank direct local access to the Asian dollar market, while the representative office in Tokyo is being aimed primarily at building contacts with German companies investing in Japan.

The DG Bank already has branches in the Cayman Islands, New York and Los Angeles, but the U.S. it has come under attack in recent weeks because of its steadfast refusal to take part in the financial rescue deal for Chrysler.

excess of his authority. Early in 1978, Molini Certosa's debts were given as some 1.4bn (\$4.83m at current exchange rates) — the result of real estate investments by the former management, production interruptions and wheat transactions.

In January 1978, Mr. Bozzo unsuccessfully started proceedings with the Milan Public Prosecutor's office against Dr. Oswald Aeppli as chairman of the Credit Suisse board.

New York subsidiary for GAN

FRANCE'S THIRD

FRANCE'S THIRD ranking nationalised insurance group, Groupes des Assurances Nationales (GAN), said it had been authorised to set up a subsidiary in New York, AP-DJ reports from Paris.

The new unit is to be called GAN-Anglo-American Insurance Company, in which the French company will have a 66 per cent interest and the UK company, Minister Insurance, 34 per cent. GAN owns 40 per cent of Minister.

GAN-Anglo-American has been authorised to deal in all insurance activities with the exception of life insurance. But M. Guy Verdell, the president of GAN, said that his group planned either to set up another subsidiary or to acquire an existing U.S. life insurance company at a later date.

It will be the second French nationalised insurance group to enter the U.S. market. The first was Assurances Generales de France.

Credit Foncier de France, the French bank, plans to launch a FF 3bn (\$733m) 15-year domestic bond next week with a 14 per cent coupon, Reuter reports from Paris.

The par-priced bond yields a gross 13.92 per cent at issue and has an average life of 10.3 years.

All of these Securities have been sold. This announcement appears as a matter of record only.

\$400,000,000

General Motors Acceptance Corporation

\$250,000,000 12% Debentures Due June 1, 2005

\$150,000,000 11% Senior Subordinated Notes Due June 1, 1990

Interest payable June 1 and December 1

MORGAN STANLEY & CO.
Incorporated

DILLON, READ & CO. INC.

GOLDMAN, SACHS & CO.

MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP

BACHE HALSEY STUART SHIELDS

DONALDSON, LUFKIN & JENRETTE

E. F. HUTTON & COMPANY INC.

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

SMITH BARNEY, HARRIS UPHAM & CO.

WERTHEIM & CO., INC.

June 5, 1980

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All of these securities have been sold. This announcement appears as a matter of record only.

New Issue

May, 1980

\$30,000,000

AVAX CORPORATION

13 1/2% Subordinated Sinking Fund Debentures Due 2000

Interest Payable June 1 and December 1

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BACHE HALSEY STUART SHIELDS

DILLON, READ & CO. INC.

GOLDMAN, SACHS & CO.

LAZARD FRERES & CO.

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The following have agreed to subscribe or procure subscribers for the Notes:-

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Limited

Bank of Tokyo International Limited
Crédit Lyonnais
Manufacturers Hanover Limited
Swiss Bank Corporation (Overseas) Limited
S. G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale

The Floating Rate Notes, to be issued at 100 per cent, have been admitted to the Official List by the Council of The Stock Exchange subject only to issue. Full particulars of the Notes are contained on cards circulated by Exel Statistical Services Limited, and copies may be obtained during normal business hours up to and including 4th July, 1980 from the Company Finance Department of the Brokers to the issue:

Hoare Govett Limited,
Heron House,
319/325 High Holborn,
London WC1V 7PB.

17th June, 1980.

This announcement appears as a matter of record only

CORPORACION VENEZOLANA DE GUAYANA (CVG)

U.S. \$25,000,000 SHORT TERM LOAN

Managed and Provided by
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INTERCOM

SOCIÉTÉ INTERNATIONALE BELGE DE GAZ ET D'ÉLECTRICITÉ

(Société Anonyme Incorporated in the Kingdom of Belgium and registered in the Commercial Register of Brussels)

POINTS FROM THE DIRECTORS' REPORT FOR THE COMPANY'S FINANCIAL YEAR ENDED ON DECEMBER 31st, 1979

During the year 1979, the generating sets of the Company, as well as the portions representing its participation in joint power stations, produced 9,564.3 GWh as compared with 9,894.7 GWh in 1978. The Company drew from other producers, Tihange 1 and from Choer (France), a total of 3,262.7 GWh (as against 3,079.8 GWh in 1978).

Gas distributed during the year 1979 amounted to 80,935 TJ, as compared with 71,323 TJ in 1978, i.e. an increase of 13.5%.

Finally, sales of steam amounted in 1979 to 4,767 TJ, as against 4,515 TJ in 1978, an increase of 5.6%.

The capital expenditure of the Company during the financial year reached 12,883 million Belgian francs.

The results of the financial year allow the payment of a dividend, net of Belgian withholding tax (precompte mobilier) of BF 142 on each of the 20,354,400 shares representing the capital on December 31st, 1979, and BF 94.66 on each of the 3,426,610 new shares entitled to dividend rights as from May 1st, 1979.

By virtue of the bilateral tax convention between the United Kingdom and Northern Ireland on the one hand, and Belgium on the other hand, withholding tax on dividends is limited to 15%.

Shareholders residing in the United Kingdom and Northern Ireland are entitled accordingly either to reclaim tax paid in excess of 15% or by prior arrangement through their bankers to have the deduction of tax limited to 15%. In either case, arrangements should be made through the shareholders and bankers.

EXTRACTS FROM THE ACCOUNTS

	1979 (BF 1,000)	1978 (BF 1,000)
Net operating income	1,316,247	1,326,982
After charging depreciation of fixed assets	4,608,524	4,014,067
Income from controlled and associated companies and from other investments	7,017,983	6,284,637
Net profit after taxation	4,428,336	3,687,935
Net profit attributable to the Company	4,271,083	3,681,419
Dividend less tax	3,214,908	2,728,331
NET TANGIBLE ASSETS		
Fixed assets (the Group)	68,646,894	59,984,612
Trade investments	15,911,232	14,883,487
Current assets	26,584,369	27,090,406
Total assets:	110,142,105	101,958,475
Deduct:		
Current liabilities	32,489,255	30,318,741
Long-term liabilities	40,377,122	39,581,753
Minority interests	76,244	53,708
Net tangible assets:	37,230,484	32,204,273
Representing issued share capital of -23,783,010 shares of no par value -30,354,400 shares of no par value	31,986,064	27,374,583
Reserves and Profit and Loss account	5,244,420	4,829,690
Less intangible assets	37,230,484	32,204,273

Copies of the full reports and accounts for 1979 in French may be obtained from:
-MIDLAND BANK LIMITED, International Division, P.O. Box 181, 60 Gracechurch Street, London EC3P 3BN.
-BANQUE DE PARIS ET DES PAYS-BAS, 35 Throgmorton Street, London EC2N 2BA.
-BANQUE BELGE LIMITÉE, 4 Bishopsgate, London EC2N 4AD.
-BARING BROTHERS & CO LIMITED, 88 Leadenhall Street, London EC3A 3DJ.
-HILL SAMUEL & CO LIMITED, 100 Wood Street, London EC2P 4J.
Summaries in English will be obtainable shortly from the above-mentioned establishments.

DG BANK

DG Bank Finance Company B.V.

U.S. \$50,000,000 Floating Rate Note Issue due 1982

For the six months 17th June, 1980 to 17th December, 1980 the Notes will carry an interest rate of 9 1/4% per annum.

By: Morgan Guaranty Trust Company of New York, London Agent Bank

THE LONG-TERM CREDIT BANK OF JAPAN LIMITED

U.S. \$30,000,000 Floating Rate Notes 1976-1981

For the six months 15th June 1980 to 15th December 1980 the Notes will carry an interest rate of 9 1/4% per annum with a coupon amount of U.S. \$48.29

Bankers Trust Company, London Agent Bank

To the holders of
The Long-Term Credit Bank of Japan, Ltd.
Negotiable Floating Rate U.S. Dollar Certificates of Deposit - Maturity date 15 December 1980

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the fifth six month interest period from June 17, 1980 to December 15, 1980 the Certificates will carry an interest rate of 9 1/4% (nine and three-sixteenths per cent) per annum.

Reference Agent
The Chase Manhattan Bank, N.A.
London

Companies
and Markets

INTL. COMPANIES & FINANCE

Frankfurt listing for Barlow Rand

By Jim Jones in Johannesburg

BARLOW RAND, the South African mining and industrial group with an annual turnover of R5bn (\$3,569m) is to be listed on the Frankfurt Stock Exchange on Thursday. The group is already quoted on six other exchanges, Johannesburg, London, Paris, Brussels, Antwerp and Salisbury.

The rationale behind the move is that as a large international company Barlow Rand needs exposure in the world's major capital markets. With a Frankfurt listing, the group expects to become better known in Germany, which will facilitate any future capital raising exercises in European money markets.

Despite significantly higher gold revenues, South Africa's projected economic development for the remainder of this century means the country will remain a relatively large importer of long-term capital. In the near-term, it has also become clear that the country's economic performance is leading many manufacturing operations into a period of significantly higher working capital demand, with a growing need for short-term debt in spite of fast-improving taxed profits.

FUGIT to increase dividend

By Our Financial Staff

FIRST UNION General Investment Trust (FUGIT), a member of the Liberty Life Group, has reported estimated net profits of R5.43m (\$7.04m) for the six months ending June 30, compared with R3.46m for the same period of 1979, for all of 1979 net profits came to R6.82m. The company has lifted the interim dividend from 3.50 cents to 4.50 cents and is forecasting a total of 10.5 cents for the full year compared with 8.5 cents. Estimated first half earnings a share show an advance from 5.47 cents to 7.23 cents. Earnings for all 1979 reached 9.79 cents a share.

As at June 11 the net asset value per ordinary share stood at 237 cents. This compares with 144 cents a year ago and 209 cents at end 1979.

Surge at Pan Malaysia Cement

By Wong Sulong in Kuala Lumpur

PAN MALAYSIA CEMENT Works, the major cement manufacturer, has reported a sharp increase in profits as a result of the 33 per cent price increase in cement allowed by the Government last September. The result comes after several years of sluggish earnings.

Pre-tax profit for the group for the year ending March rose by over 60 per cent to 14.2m Ringgit (U.S. \$7m), while after-tax earnings were 47 per cent higher, at 7.8m Ringgit.

The group is raising its final dividend to 10 per cent, making a total of 15 per cent for the year, compared with 10 per cent previously.

Net earnings per one Ringgit share came to 35.4 cents, but based on last week's closing price of 7.3 Ringgit, the yield is only 1.9 per cent. PNCW is controlled by the prominent Malaysian businessman, Dato Khoo Kay Peng, and like other companies controlled by Dato Khoo, PNCW shares have experienced a sharp appreciation in recent months, rising from 4.7 Ringgit at the start of the year.

Joint venture for Barlow Boustead

By Emilia Tagatz in Manila

BARLOW, Boustead Estates Agency, the Malaysian agricultural estate management concern, is teaming up with a Filipino group for the development of a US\$ 14m rubber plantation project in Mindanao, southern Philippines. The Filipino group is composed of C. B. Filipinas The Manufacturing Corporation and the Southern Philippines Development Administration, a Government development agency.

THE PHILIPPINE INVESTMENT COMPANY S.A.

Net Asset Value as of March 31, 1980 U.S. \$1.25
Listed Luxembourg Stock Exchange
Agent:
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Manila Pacific Securities, SA

Striking improvement in first-half results at Sony

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

SONY CORPORATION yesterday reported strikingly improved sales and profit figures for the first half of its fiscal year—ending April 30. Consolidated sales were up 45 per cent to ¥436bn (\$2bn), while operating income rose 96.6 per cent to ¥67.9bn (\$314m). Net profits increased still more spectacularly by 342 per cent to ¥34.9bn.

The depreciation of the yen contributed heavily to the profitability of the company's sales (75 per cent of which are outside Japan). The lower yen value which prevailed during the period also increased the value of foreign currency denominated sales when translated into yen for accounting purposes. Sony says that in the second quarter, about 14 points of a 49 per cent sales increase was the result of yen depreciation, while the remainder resulted from volume increases.

It attributed the higher volume of its sales to "stable consumer demand" and the competitive strength of Sony products. Overseas sales during the six-month period grew by 71 per cent over year-ago levels, leaving behind the domestic market where a more moderate 17 per cent increase in turnover was registered. Edge in terms of local currencies Sony reports a 40 per cent sales rise in the U.S.—accounting for roughly one-third of total turnover—and a 60 per cent increase in the EEC. Apart from these major traditional markets the company made rapid progress in developing new sales areas. A case in point was the Middle East where colour television sales alone grew by 80 per cent.

The main "pillars" of Sony's sales effort in the first half were TV sets (27 per cent of total sales, up 92 per cent) and video tape recorders (13.8 per cent of the total, up 68 per cent). Sony says it is now confident of selling 2.4m TV sets during the whole of the current fiscal year, compared with sales of 2.05m sets last year. Sales of video tape recorder sets should rise from last year's figure of 550,000 to 800,000. The rest of Sony's turnover is composed of radios and tape recorders (up 40 per cent and accounting for 16

per cent of the total) and audio equipment (23 per cent of sales, up 22 per cent). Sony says that the outlook for sales and profits for the full fiscal year is bright. It expects a further increase in turnover, but sales will reach about ¥500bn. Both figures would be sharply up on the levels of 1979 while not quite maintaining the record of the first-half through the year as a whole.

In view of its good results, Sony is paying an interim dividend of ¥15 per share (up ¥2.5 on the year-ago level). The share improvement in the company's performance seems to have found favour with foreign investors who had increased their holdings of Sony shares to 18 per cent of the total outstanding at the end of April compared with 12 per cent last October. Sony still has to go a long way, however, to recapture the position it held in 1973 when foreign investors held 47 per cent of its stock.

HONG KONG STOCK MARKET

Caution despite sharp advance

BY DAVID DODWELL IN HONG KONG

THE HONG KONG Stock market's Hang Seng index leapt last week to 978.07, its highest level since 1973, and rose yesterday to 981.12. But amid the excitement, a number of brokers are treating the rise with caution.

In contrast to the flamboyant mood that has lifted the index by more than 100 points in the past two weeks, there is a school of opinion that sees the market as fundamentally weak.

The flurry started almost two weeks ago, after three extremely quiet trading days. A story went around that the powerful Hongkong and Shanghai Banking Corporation was about to bid for the minority interest in its subsidiary, the Hang Seng Bank.

Shares in both banks shot up, and given their heavy weighting, carried the Hang Seng index with them.

Prices in Hong Kong rise—

and fall—much further and

more suddenly than in London or New York. The Hang Seng index peaked in 1973 at 1,774.96, but when the slump set in, the index did not stop falling until it reached 150.11.

While no-one is predicting such a slump in the months ahead, there are enough worrying factors for investors to move with caution. First, property prices—which have a potent effect on the market—prices generally—have been sluggish, with numerous signs that prices could fall from recent highs.

Second, high interest rates, though reduced twice in the past month, remain high.

In addition, deepening recession in the U.S. is bound to leave its mark on the Hong Kong economy. The U.S. is Hong Kong's leading export market.

This comes at a time when the Hong Kong stock market itself is undergoing change. Since 1972, Hong Kong has had

four separately operating stock exchanges. In order to regulate them better, the Government has pressed the exchanges into amalgamating as a single large exchange.

The Government is convinced that this will improve the status of Hong Kong as a financial centre. Mr. Urselin McInnes, the Colony's Commissioner for Securities, said recently: "We think competition should be between brokers, not exchanges."

The Government has pressed for amalgamation since the slump of 1973-75, and has finally decided to use its legal powers to force unification. The Hong Kong Government is pressing another reform on the financial community. It feels that the present takeover code, which allows an investor to buy up to 50 per cent of the shares in a company before having to make a formal bid, needs tightening.

JAPANESE NEWS

Corporate operating profits up

TOKYO — THE JAPANESE Finance Ministry said in its quarterly survey report on corporate business activities that operating profits of major Japanese companies for the January-March quarter rose by 35.5 per cent from a year earlier, after a year-on-year growth of 32.9 per cent in the preceding quarter.

The survey covered 17,034 companies, excluding banks and insurance firms, with capital of over ¥10m, whose combined operating profits stood at ¥6,760bn (\$31.2bn). Retailers and wholesalers scored the highest gain, with operating profits up by 71.1 per cent, followed by manufacturing firms with a rise of 39.3 per cent, and service industries with a 38.5 per cent increase. Operating profits of electric power companies fell by 80.7 per cent. Combined sales in the quarter rose by 27.2 per cent to ¥156,000bn, after a 20.5 per cent increase in the preceding quarter.

The ratio of operating profits to sales improved to 4.3 per cent from 4.1 per cent in the preceding quarter. Capital outlay for plant and equipment during the quarter totalled ¥4,810bn, up 12.9 per cent from a year earlier, after an eight per cent gain the preceding quarter.

MARUBENI CORPORATION, the Japanese trading house, is to offer 30m shares of new capital stock through public subscription. The current market price is at ¥1,000. Subscriptions will start from August 12 and continue to be made on August 25.

The issue price of new ¥50 par value shares will be decided by early August, depending on the stock market price. Marubeni closed at ¥364 in Tokyo yesterday. The company said that its capital will be increased by ¥1,500 to ¥36,400m (equivalent to \$182m) with the new issue.

The money raised will be used for overseas coal development and other energy resources development projects.

Marubeni has also announced that it plans a five-for-100 scrip issue on March 31 next year.

The Japanese Finance Ministry is offering ¥150bn (equivalent to \$800m) of three-year medium-term national bonds in a Dutch-style auction to close at noon on June 18.

Under the auction "the Ministry will accept bids starting with the lowest yield, until the accepted amount reaches ¥150bn."

The Ministry will announce the results of the auction on June 20, and will issue on June 27.

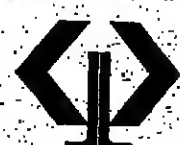
In April and May, the Ministry issued ¥250 bn of three-year bonds through ordinary auction, under which bidders are asked to submit their purchase prices for bonds with an 8.4 per cent coupon, and bids were accepted, starting with the highest bid price, until the accepted amount reached the planned total.

Mitsui Osk Lines, the Japanese shipping company, raised its after-tax profit by 15.8 per cent to ¥3,590m (\$16.6m) in the year ended March 31, from ¥3,100m in the previous year. Sales rose 30 per cent to ¥416,890m (\$1.9bn).

The dividend is unchanged at ¥4 a share.

Nippon Yusen Kaisha, another Japanese shipping company, raised its after-tax profit by 17.5 per cent to ¥3,830m for the year, from ¥3,230m. Sales rose 26.8 per cent to ¥454,220m, from ¥358,280m. Agencies

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The Council of The Stock Exchange in London has granted permission for the 12,000 Debentures of Can. \$60,000 each constituting the above issue to be admitted to the Official List subject to the issue of the temporary Global Debenture. Interest is payable annually on 15th July, the first such payment being due on 15th July 1981. Particulars of the Debentures are available from Exel Statistical Services Limited and copies may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 1st July, 1980, from the Brokers to the issue:

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17th June, 1980

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FINANCIAL TIMES SURVEY

Tuesday June 17 1980

AUSTRIAN EXPORTS

Exports of goods and services have played a major role in Austria's economic performance. In this survey, PAUL LENDVAI, our Vienna Correspondent, looks at the problems caused by a sizeable current account deficit this year and at the efforts being made to increase export competitiveness.

A need for major changes

THE CELEBRATIONS to mark the 25th anniversary of the Austrian State Treaty, which put an end to Four-Power Occupation, provided an opportunity for East and West to heap praise on neutral Austria's political, economic and social record. Austria's all-round economic performance last year was outstanding, in terms of inflation (at 3.7 per cent the lowest in Europe), of unemployment (about 2 per cent) and of economic growth (5 per cent).

In the past decade, only Japan surpassed the country's 52 per cent rise in real output in 1970-1979. This record from a country, which, in the inter-war period, used to be regarded as intrinsically unviable, has coincided with the "Kreisky-era" — the decade of moderate, middle-of-the-road and pragmatic economic and social policies, under a social democratic government, headed and dominated by Chancellor Dr.

Bruno Kreisky. However, as pointed out in a recent article by Dr. Friedrich Gleissner, the head of the trade policy and foreign trade department at the Federal Economic Chamber (to which all entrepreneurs have to belong by law), the basis for the economic upswing in general and the export successes was laid under the late Chancellor Julius Raab.

In addition to playing the decisive role in the negotiations leading to the conclusion of the Treaty, Dr. Raab was the architect of the unique network of 84 trade offices, run abroad by the Federal Economic Chamber which directly serve exporters and are regarded as a model by many other countries.

It was in no small degree due to this unique organisation and the off-proven ability of the trade delegates to cope with unusual and difficult situations which provided the background to the rapid growth of exports. Between 1958-79, exports were rising at an annual average of 8.4 per cent and imports at 8.8 per cent. During the same period, the GNP, in real terms, recorded an annual growth rate of 4.8 per cent.

As a result of the treaty of 1972 with the Common Market, Austrian exporters, by 1977, gained equally free access to West Germany, their single most important foreign market, along with their EEC competitors. From a low of 19.3 per cent in 1974 the West German share of total Austrian exports has risen to over 30 per cent. In turn, West Germany is the source for 42 per cent of

Austrian imports, which means, for example, that this small land-locked country of some 7.5m people buys almost as much from the Federal Republic as do all East Bloc states together.

Yet for all the successes and the increase of the share of finished manufactures, from 35 per cent to 50 per cent of the exports to West Germany during the past decade, Austria has had a steadily growing current account deficit vis-à-vis its western neighbour. It was not just the staggering visible trade deficit of Sch 51.7bn with West Germany (to a great extent caused by allowing car imports) that caused concern last year, but rather the fact that neither expenditures by German tourists (who constitute three-quarters of the holiday-makers), nor other "invisibles" have managed to offset the trade deficit. There was a gap of Sch 15bn in 1979, only Sch 3bn less than the aggregate current account deficit.

Daunting task

The Austrian trade delegate in Germany holds that only higher exports could bring relief: the Austrian share of overall German imports should rise from 2.9 per cent to 5 per cent — a daunting task.

The problems surrounding trade with this most important partner are basically present throughout all Austrian foreign trade. Even including the "errors" and "omissions" (generally producing a surplus)

the current account deficit last year reached Sch 17.7bn, the second highest in recent Austrian history and it is expected to rise by a further Sch 8.1bn to Sch 25.8bn this year.

The domestic boom, engendered by the expansionist budget policies, and the rapid rise in the fuel bill to an all-time peak of Sch 34bn, have been the main factors behind the unexpected deterioration of external payments. The improvement in 1978 was, after all, only temporary. Worse still, the international economic environment is not conducive to a sustained improvement of Austria's external payments in the foreseeable future.

On the one hand, Austrian exports during 1968-78 expanded annually, in real terms, by 8.1 per cent, 0.8 percentage points more than the OECD average and 1.1 points more than the average for world exports, as a whole. Austria ranks among the 20 largest exporters in the world and has managed to gain market shares during the past two decades, including a 6 per cent growth in its share in the Western industrial countries.

On the other hand, Austrian exporters could, however, gain or maintain market shares only through strong price concessions, increasing pressures on their profit margins. This, in turn, injects a new urgency into the perennial debates about the advantages and disadvantages of the so-called "hard currency policy", which means keeping the Austrian schilling more or

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less in line with the German Mark. The Federation of Austrian Industrialists recently pointed out that the share of domestic industry in the 1970s fell from 61 per cent to 52 per cent of the Austrian market. Spokesmen of the Federal Economic Chamber also tend to stress the disadvantages due to the "hard currency" or "strong schilling policy".

In contrast, Dr. Helmut Haschek, director general of the Austria Kontrollbank, the export financing institution, maintains that such losses of domestic market shares are solely due to the structural weaknesses of enterprises producing for the domestic market since Austrian exporters could make gains of market share abroad against foreign competitors. More competition is the only way to eliminate such structural weaknesses — this is emphasised at an international symposium on export promotion, organised last autumn by the Central Savings and Commercial Bank in Vienna.

AUSTRIAN FOREIGN TRADE						
(Sch.m)						
IMPORTS						
	TOTAL	EEC	incl. Britain	West Germany:	EASTERN EUROPE*	
1973	137,863	88,979	7,127	57,460	11,586	
1974	168,281	103,498	7,151	67,455	16,364	
1975	183,376	101,752	6,508	65,345	16,680	
1976	206,081	120,609	7,536	84,621	19,647	
1977	234,841	153,414	8,056	99,188	20,736	
1978	231,838	151,672	7,166	100,481	20,331	
1979	269,937	174,745	7,859	114,236	23,702	
EXPORTS						
1973	101,977	50,142	7,744	22,186	12,114	
1974	123,356	59,130	8,528	26,227	10,107	
1975	130,894	57,788	7,342	28,601	12,333	
1976	152,114	70,955	7,407	35,590	13,047	
1977	161,761	80,111	7,478	42,956	13,442	
1978	176,113	92,342	8,681	51,260	14,175	
1979	206,185	110,430	9,181	62,484	16,623	
* East Germany, Bulgaria, Poland, Romania, Czechoslovakia, Hungary, Soviet Union, Albania						

* East Germany, Bulgaria, Poland, Romania, Czechoslovakia, Hungary, Soviet Union, Albania.

Most observers tend to agree that the time has come for a major change in Austria's geographical export pattern and perhaps even more urgently for improving the structure of exports. Despite many exhortations and promotion campaigns organised by the Federal Economic Chamber, more than 85 per cent of Austrian exports still go to Europe, with EEC and EFTA taking two-thirds.

Commonwealth East Europe (excluding Yugoslavia) accounted last year for 12.9 per cent, still the second highest proportion for a Western country, after Finland. Yet, in 1979, the proportion of Eastern European trade was 17 per cent.

Trade balance

According to a recent survey compiled by the Austrian Institute for Economic Research, during 1975-79 Austria's aggregate exports were rising by 10 per cent per annum, but those to the Comecon countries by only 2 per cent annually. The trade balance with the Soviet Union is in the red to the tune of some Sch.4bn a year. At the same time, the Soviet Union spends about 40 per cent of its schilling earnings on purchases outside Austria. The granting of a Sch.10bn credit line to the Soviet Union in March, was therefore criticised by some influential economic commentators.

The financing of exports by massive borrowing on the inter-

national capital markets, by the Austrian Kontrollbank, is also causing some problems. Bad debts last year, involving credits guaranteed by the Austrian Government, jumped by 77 per cent to Sch.1.74bn.

The real problem is not just finance, though it is doubtful whether the Federal budget faced with a permanent crisis will be capable of providing export finance to the tune of Sch.70bn by 1984 as against Sch.30bn (only by the Kontrollbank) last year.

Austria's traditional markets are unlikely to absorb vastly increased volumes of Austrian goods. Equally doubtful is the idea that tourism could once again produce record-breaking growth rates in net foreign exchange earnings.

As stressed by the foreign trade expert, Dr. Jan Stanekovsky, Austria needs a "second industrialisation wave". Most observers agree that what is needed are not protectionist measures, but efforts to increase export competitiveness.

A slight devaluation of the schilling is also rejected — at any rate, by the majority of the experts, for the time being. A balanced foreign trade in industrial manufactures is set as a main target. Currently this trade produces a deficit of Sch.22bn. Nevertheless, even with a shift to high technology products, the traditional export goods, such as steel, non-ferrous metals, paper, timber and metal products, are likely

to have a continued role. Another target is the increase of exports to the Third World, primarily to the OPEC or "half-industrialised" countries such as Taiwan, Hong Kong or South Korea.

Only 10 per cent of Austrian exports are sold to developing countries while neighbouring Switzerland manages to export twice as high a percentage of its products to that area. The OPEC countries account for a mere 5 per cent and Latin America as a whole also only for 1.5 per cent.

It is, of course, easier to issue calls for major changes in the geographical and structural pattern, than to provide the necessary conditions. Austria has neither multinational and really large domestic enterprises (capable of operating abroad alone, nor does it possess international finance and trading companies, as does Switzerland).

But there is no reason for deep gloom. A difficult period of adjustment is certainly ahead. Yet, if one recalls the upheavals and the seemingly hopeless situations through which this country has lived since the breakup of the Austro-Hungarian Empire, then the challenge of the 1980s should not be unmanageable. The time of record growth rates is gone in Austria, as elsewhere. But given political and social stability, a new export drive could help to generate steady growth.

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AUSTRIAN EXPORTS II

Trends confirm gloomy economic predictions

AFTER A long period of steady growth and rapidly rising living standards, Austria is now on the verge of a new era which will undoubtedly disappoint the expectations of those who hoped that this small, landlocked country on the edge of the Western pluralistic world, could survive unscathed in a world-wide economic and social crisis.

The critics of the Socialist Government, which has been in power for just over a decade, also point out that the population will now have to foot the bill for the costly experiments and welfare presents of the "Kreisky-era."

The steadily rising budget and current account deficit are now recognised as the main dangers threatening economic and social stability. A recent extraordinary caucus meeting of the Government and leading Socialist Party and union functionaries, gave the go-ahead signal for drastic cuts of subsidies and increased indirect taxes, resulting in higher postal and telephone charges, railroad fees and social security contributions.

The Treasury hopes to reduce demand-effective net deficit from Sch 31bn to Sch 25bn, next year (the 'budget year' in Austria coincides with the calendar year). This would mean a reduction from 3.8 per cent, in terms of the gross domestic product in 1979, to 2.5 per cent in 1981. Evidently, there can be no question of tax cuts as demanded by the opposition People's Party.

The steadily rising national debt poses a growing burden of debt servicing on the budget. Thus, in this year already, 14.7 per cent of what are called "freely disposable public expenditures" must be spent on servicing the national debt. At the time of the take-over by the Socialist Government in 1970, the same proportion was only 5.9 per cent.

Another potential danger, both to the economy and to social stability, is the uncertainty concerning the long-term employment trends. While the unemployment rate, this year, is expected to remain below 2 per cent, economic experts reckon that in the period to 1986 a more pronounced unemployment situation will emerge if the growth rate falls below 3.5 per cent a year.

It is feared that a growth rate of a mere 2 per cent could produce 500,000 unemployed by 1990.

A growth-oriented economic policy, geared to a higher grade of competitiveness in exports, is regarded as the only way to avoid such a situation.

The uncertainties stemming from the external payments situation are also regarded as threats to economic equilibrium, in the long-term. The trends in the first quarter of this year tend to confirm the gloomy predictions about the deterioration of the visible trade balance and the external payments situation. Thus, during the January-March period, the visible trade deficit jumped by Sch 8bn, or by 58 per cent compared to the same period last year. The Federal Economic Chamber has already expressed fears that the trend indicates an even worse performance of the current accounts for the year, as a whole, than was originally expected. It might exceed the Sch 26bn predicted for this year, (including the item of statistical errors) and would amount to 2.5 per cent of the social product.

Unpredictable

Economic journalists point out, however, that the experts have more than once erred on the side of optimism in the 1970s and there is no reason to assume that they will be completely right in their gloomy forecasts now.

Professor Stephan Koren, president of the National Bank, also warned in a recent article that the events of 1979 confirmed the growing unpredictability of economic and monetary processes. The external payments disequilibrium is bound to remain a central problem, albeit Austria is better placed than most other countries to cope with the new economic challenges. However, Prof. Koren also admitted that the room for an autonomous policy, as well as freedom of action in economic policy and in budgetary policy have become narrower.

In the opinion of the Central Bank chief, the defence of the stability and, therefore, also the so-called hard-currency policy, i.e. the close link between the schilling and the D-mark, will have to remain the foremost task this year.

The growing dependence on energy imports raising the fuel import bill from Sch 8bn in 1970 to Sch 44bn this year is an important factor behind the deterioration of the external payments balance. This is the

background to the current campaign reopening the great debate about nuclear power.

In November 1978 a very slight majority of the Austrians rejected at a referendum the commissioning of the nuclear power plant at Zwentendorf on the Danube—a plant already completed and erected at a cost of Sch 8bn. It is claimed that the provision of the extra energy alone costs the taxpayer Sch 1bn.

However, the Austrian Parliament decided that the question of nuclear power can be reopened only with a two-thirds majority and, even then, any change in the legislation banning nuclear power must be submitted again to a referendum.

The issue does have political implications, of course. About 40 per cent of the energy imports come from Eastern Europe: 100 per cent of the natural gas, 80 per cent of the coal, 25 per cent of the crude oil, 60 per cent of coke and 35 per cent of electric power imported by Austria is provided by the Comecon states.

The energy and power links with the East, including also ties to the West, are, generally, the main topics during Chancellor Kreisky's and his ministers' frequent trips to Eastern Europe.

Meanwhile, the tourist industry's figures for the winter season indicate that this important prop to the economy is doing fairly well. During the January-March period, for example, overnight stays by foreigners were up by 3.5 per cent to 18.2m. Gross foreign exchange receipts from foreign tourists rose by 15.3 per cent and the net intake by 21 per cent to Sch 17.1bn.

Another important positive factor is the growing involvement of the banks in providing not only finance, but also consulting and marketing advice for small and medium sized firms. In addition to the long-established commercial banks, such institutions as the Girozentrale, the central institute of the savings banks, as well as the two largest Vienna-based savings banks, Central Savings and Commercial Bank and the First Austrian Savings Bank, have launched various initiatives to promote exports.

Since 30 per cent of the Austrian exports are provided by only ten large firms, there is evidently ample scope of mobilising the untapped resources of thousands of small companies.



Dr. Friedrich Gleissner, chief of the Foreign Trade Department of the Federal Economic Chamber. He is also in charge of Austria's trade representatives, worldwide. Right: the Tyrolit plant in the Tyrol.



Worries over Eastern trade

FOR MANY years, trade with the Comecon countries has been regarded as one of the pillars of the Austrian economic upswing. During the 1970-75 period, for example, exports to the East Bloc (always excluding Yugoslavia) were rising, in real terms, at an annual rate of 11.3 per cent or twice as fast as exports in general.

Except for the special case of Finland, Austria has proportionately the largest trade (among Western nations) with the Communist Bloc. By 1975, the Eastern share reached 17 per cent of the exports total and if one excludes Yugoslavia, the grand total accounted for over one-fifth of the foreign sales.

A number of special historical, geographical and political factors have combined to make Vienna into a vital contact point for East-West trade and to provide a firm foundation for Austria's role as a peace-maker in Eastern trade. At a time when the U.S. and other NATO countries were limited in their freedom of action through the embargo regulations. For the public at large almost imperceptibly Austria's position on the Eastern markets has been dangerously eroded.

Market shares can be maintained only through massive credits, political goodwill gestures and at the cost of price concessions. Though Chancellor Bruno Kreisky is seen in the east as one of the most respected non-communist statesmen of the world and is a welcome guest from east Berlin to Moscow, neither his numerous visits nor the working missions of his agile minister of trade, Dr. Josef Stribanec, have so far managed to produce a return to the good old times of steadily expanding trade, based on major orders from East European state agencies.

A thorough study of the structure and performance of

Austrian sales to the East, compiled by one of Austria's top foreign trade experts, Dr. Jan Stankovsky and recently published by the Vienna-based Austrian Institute for Economic Research, indicates that the alarming figures for the first quarter of 1980 are not just isolated and seasonally distorted results.

During the January-March period, Austrian imports from the East jumped in value by 49.8 per cent, while exports were up by a mere 3.6 per cent. As a result of these trends, the Eastern share fell to 10.7 per cent of the aggregate exports and totalled 8.7 per cent of the aggregate imports.

Contraction

What matters, of course, is the long-term trend, but this also shows an ominous contraction of Austrian sales. Thus, between 1975-1979, annual exports to the Comecon countries were rising in real terms only by 1.3 per cent as against an almost 10 per cent growth for the Austrian exports, in general. No wonder that during the same period the proportional share of the East Bloc fell from 17 per cent to 12.5 per cent.

The exports to the smaller East Bloc countries have suffered in the first place and the share of Eastern Europe, minus the Soviet Union, dropped from 14 per cent to 9.5 per cent of the exports total.

At the same time exports to the Soviet Union were rising in the second half of the 1970s about as fast as the overall exports with the Soviet share roughly maintained at 3 per cent of the exports. The downward trend was also evident in purchases from the East with the proportional share also shrinking from 10 per cent in 1975 to 8.5 per cent last year. The relative increase in the

Soviet share was, of course, due to the price jump for crude and natural gas, accentuated by the increased Soviet shipments of gas to Austria.

What causes increasing concern, and even anger in Austria is the fact that the relatively steep rise in purchases from the Soviet Union has not been accompanied by a corresponding rise in Austrian exports to the Soviet Union.

As a result, the Soviet side achieved a surplus of Sch. 3.4bn last year in contrast to the Austrian surplus of Sch. 6.5bn in trade with the other Comecon countries, as a whole. Between 1973-79 the Soviets achieved an accumulated surplus of Sch. 18bn vis-à-vis Austria. This figure is three times as large as the Soviet import bill in Austria last year.

The Institute for Economic Research reckons that the Soviets spend only 55 to 60 per cent of their export earnings in Austria (oil and gas account for three-fourths of those sales) on financing imports from the same country. Thus, it would be not very difficult to restore the equilibrium in bilateral trade if only the Soviet authorities had really wanted it.

Instead, the Austrians have now opened a Sch. 10bn credit line to finance Soviet purchases of Austrian goods. In retrospect, these Austrian economic experts have been proven right who in 1970 warned against a transition from bilateral clearing to invoicing and payment in freely convertible hard currencies.

In the opinion of the institute's experts, the prospects for East-West trade, in general, and Austrian sales to the East, in particular, are not very promising. It is estimated that Comecon imports from the West will rise by 1990 only at an annual rate of 2.5 to 3.5 per cent. The indebtedness, the difficult energy situation and the failure to increase sales in the intensely competitive Western markets are likely to limit severely the scope for imports from the hard

currency areas.

At the same time, Austria's market shares have also been shrinking. In terms of the Eastern exports of the OECD countries, Austria's share in 1985 was 7 per cent, in 1970 only 6 and in 1978 a mere 5 per cent. The Austrian market share in the Soviet Union dropped between 1965-79 from 4.8 per cent to 1.7 per cent, though it slowly rose in the late seventies to 2.4 per cent.

It is how reckoned that in the 1980s the smaller Comecon partners must restrict their hard-currency financed purchases more drastically than the Soviet Union. The integration within Comecon will contribute to this trend. Austria will have to improve and expand its range of capital goods exports.

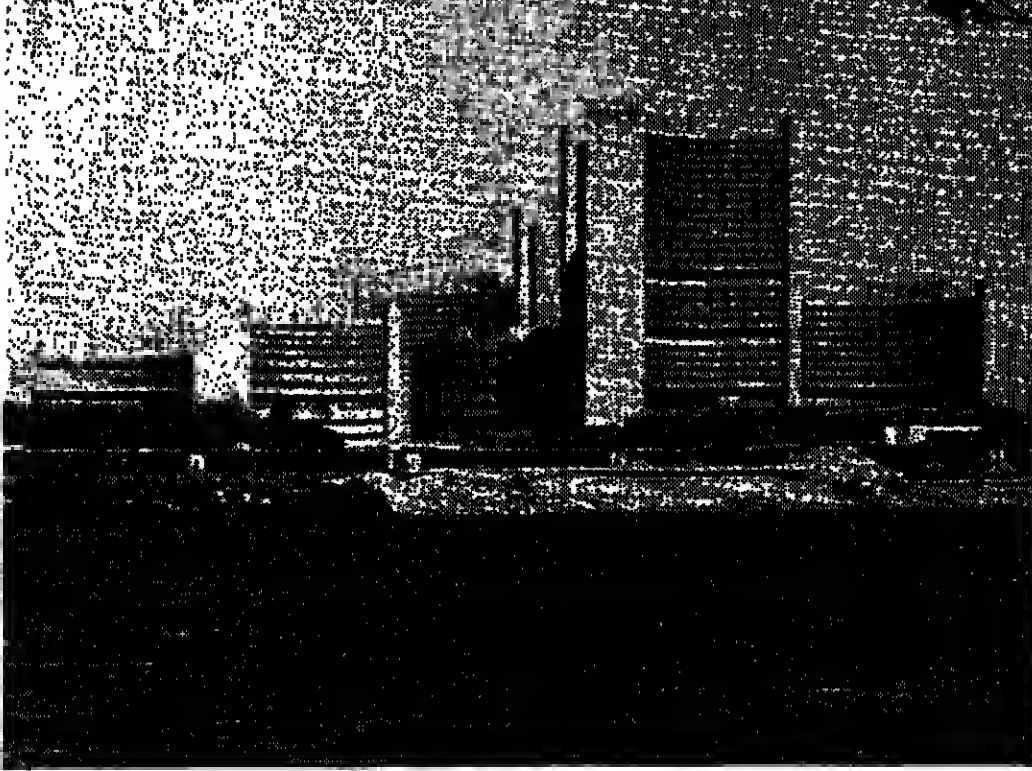
Co-operation with other major suppliers and joint ventures with Comecon state companies on third markets will not suffice to maintain, let alone to increase Austria's market shares. Compensation and buy-back schemes are only part of the answer. Dr. Stankovsky pleads for tariff concessions as a condition for increasing the imports of consumer goods and for a more differentiated trade policy towards the individual Comecon states. But the suggestion of tariff concessions was quickly rejected by a spokesman of the Federal Chamber of Economy.

The Soviet Government has now promised to increase rapidly and appreciably its purchases of Austrian goods. According to Austrian Government authorities, the Soviet side offered major orders and proposals for joint projects on third markets to the tune of Sch. 8bn. It remains to be seen what will be finally realised.

The same reservations are voiced with regard to the ambitious joint coal and lignite exploitation schemes planned with Poland and Hungary. On present assumptions, Eastern trade may well become in the year 1980 a hidden danger, rather than a prop to Austria's visible trade balance.

With regard to imports, energy and fuel in the case of Austria account for 50 per cent of the total as against only 38 per cent for the West as a whole. The fact that the share of consumer goods in the Austrian imports is only half of that for other Western states may be a contributing factor to the general malaise concerning Austria's eastern trade.

At the same time, Austria, as with other Western countries, has had to extend massive loans to the East to finance its exports. Comecon accounts for 60 to 45 per cent of the grand total of Austrian export credit: 1980s a hidden danger, rather than a prop to Austria's visible trade balance.



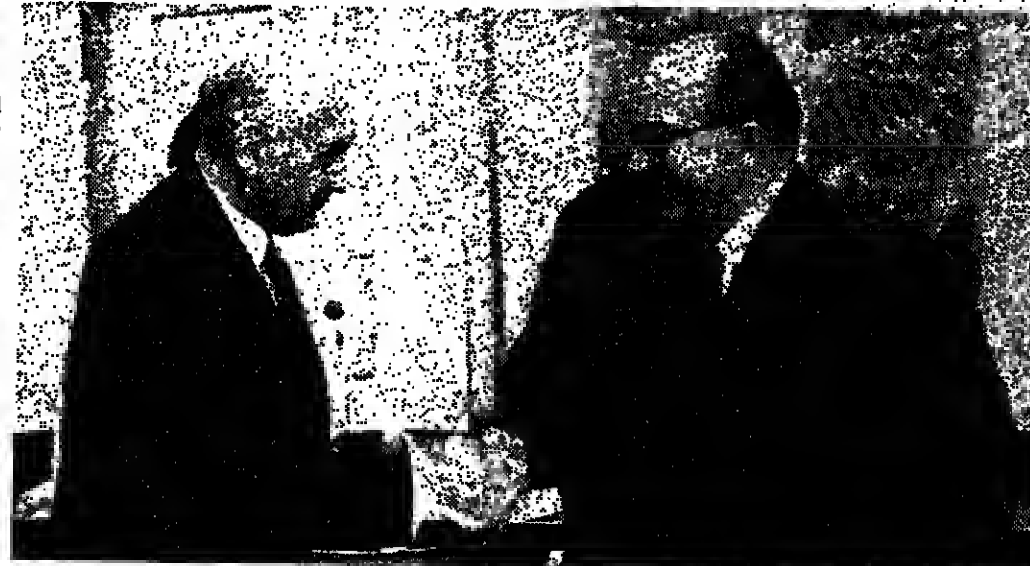
The Vienna International Centre, on the banks of the Danube. For reasons of history, geography and expertise, Vienna is a traditional gateway to—and contact point with—Eastern Europe.

Vital services for exporters

A BRIEF news item informed the Austrian public in the first week of June that President Rudolf Sallinger of the Federal Economic Chamber paid a working visit to Czechoslovakia. In addition to talks in the Foreign Trade Ministry and the Chamber of Commerce, he also conducted negotiations with Czechoslovak Premier, Lubomir Strougal about the intensification of trade contacts, energy problems and some Austrian wishes concerning the Austrian deficit in bilateral trade exchanges with special attention paid to major investment projects.

Only two days later, the chairman of the industrial section of the Federal Chamber, Mr. Philip Schoeller, heading an economic mission, left for a ten-day visit to Argentina, Uruguay and Paraguay. Representatives of some 64 firms, the highest-ever figure are participating in the Latin American venture. They represent a wide range of consumer and capital goods producers, attracted by a growing market. The tour of the three Latin American countries will be followed by a round-table meeting with interested buyers in Sao Paulo (June 18 to 20) and Rio de Janeiro (June 21 to 24). The talks with the interested Brazilian business representatives are exclusively devoted to such issues as joint ventures, licence and know-how arrangement in Brazil; how to cope with the series of restrictive measures ordered by the Brazilian authorities; how to launch co-operation ventures and maintain the market shares.

The fact that last year's sales to Uruguay were up by 80 per cent to Sch. 69m; to Paraguay, by 52 per cent to Sch. 87m; to Argentina, by 24.4 per cent to Sch. 706m; and even to Brazil by 29 per cent to Sch 575m,



Two key personalities behind Austrian social partnership: (left) Mr. Anton Benya, Socialist President of the Trade Union Federation and also of Parliament; and Mr. Rudolf Sallinger, President of the Federal Economic Chamber.

is a revealing proof of the ability of Austrian exporters to gain a foothold on the intensely competitive and far-away Latin American markets.

About six days after the take-off of the mission to Latin America, a group was visiting neighbouring Yugoslavia in line with the new practice of organising round-table meetings with interested or potential buyers.

Such meetings are generally restricted to one particular branch. Thus, in June, such meetings were scheduled to take place in Britain with furniture importers and, in Spain, with buyers of components and spare parts for the motor industry.

All these examples refer to only one month, namely June. They indicate the flexible and multi-dimensional approach of the Federal Economic Chamber to trade promotion. The

Austrian Institution of Exports and Trade Promotion was born after World War II, at a time when the President of the Chamber was the same Lullus Raab, who later, in 1953, became Federal Chancellor and played a key role in negotiating the Austrian State Treaty of 1955, which put an end to the Four Power Occupation.

Even the most ingenious and skilfully assembled promotion programmes would be impossible without the unique system of export organisation, run and financed by the Federal Chamber. Austria's trade interests are represented by well-trained, business-minded and multi-lingual trade specialists, staffing 84 trade representative offices around the world, with 17 operating in the U.S., 14 in Africa, 20 in Asia and one in Australia.

Only under special conditions, such as those in Eastern Europe or in some crisis-ridden developing countries, do the trade representatives have diplomatic status, but even there they operate under the direct supervision of the Chamber. Austria has neither multinational concerns nor many large companies which could establish important subsidiaries abroad. It is the vast network of trade offices which act as locomotives of the Austrian trade.

The trade representatives and the desk officials in Vienna fulfil a variety of indispensable functions for some 4,000 Austrian exporters, from alerting companies to sales opportunities, to finding local agents for them or giving advice about how to secure export credit guarantees.

Last year, some 5,500 Austrian firms had contacts abroad.

with Austrian trade offices. The institute for economic promotion carried out 97 foreign ventures, including not only participation at fairs but also special events such as "technical-scientific weeks" and "Austria weeks." About 2,200 firms participated at the various ventures.

The department of foreign trade and trade policy, headed by Dr. Friedrich Gleissner, also produces regular market reports, and comprehensive surveys giving essential information about 150 countries. Every week 6,000 firms receive a weekly foreign trade news bulletin from the Chamber. Last year, 184,000 copies of special reports were ordered by interested exporters.

The Chamber has grown up an agency for organising seven economic missions and round-table meetings overseas, as well as 12 meetings tailored to the needs of individual branches. From fashion shows to language courses and foreign trade seminars, the Chamber offers a wide range of services. Another important special feature of the Chamber's organisation is its extremely active Press department. All Austrian media representatives, specialising in economic or political reporting, are invited to attend information trips at home and abroad, and to visit seminars and conferences where, as a rule, all problems are candidly discussed. This Press policy helps, in turn, to foster popular understanding for the special way of Austrian trade promotion. Though the Chamber primarily serves the medium-sized and small firms, even large national companies are frequently asking for advice in Vienna and in the trade representative offices abroad.

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AUSTRIAN EXPORTS III

Call for more innovation in industrial sectors

THE RECENT take-over of Eumig, the camera and projector manufacturer, by Oesterreichische Leanderbank, is regarded by some observers as the end of an era. This prestigious family firm has gained a worldwide reputation during the past decades as the world's largest projector manufacturer and a leading producer of high-quality cine cameras.

However, during the last two years, poor marketing, wrong management decisions geared to faulty signals and a lower per-head productivity than that of major competitors, have plunged the company into a prolonged crisis, with the production staff cut by one-third. After much-publicised boardroom battles, the management was finally taken over by the Leanderbank, the major creditor of the firm.

Though the bank itself is, ever since World War II, along with Creditanstalt Bankverein, majority-owned and controlled by the State, the take-over does not mark any kind of creeping expansion of State intervention. It was an emergency operation to save what can still be saved from a once-thriving concern.

The case of Eumig recalls similar attempts to bail out, for example, the Voestalpine textile group, which also owned and profited from vast federal and provincial subsidies. The point is, however, that Eumig is the kind of company which, in theory at least, should be a

model, since it is turning out high-quality specialised products.

Arguably, one of the weaknesses of the domestic industry is that it can rely on far too extensive and excessive subsidies which, in turn, hamper rather than accelerate the adjustment to changed market conditions at home and abroad. In a very real sense, the institutional representatives of the business community are faced with perennial problem of how to gain new markets while, at the same time often the same firms seek to erect barriers against the influx of foreign products.

On the one hand, the share of the domestic industry of the Austrian market fell from 61 per cent to 51 per cent, between 1970-79. The domestic market share in chemicals shrank from 59 to 49 per cent; in textiles, from 58 to 36 per cent; and electrical goods from 67 per cent to 53 per cent. The domestic industry is capable of holding its own on home ground in some social or limited areas—but, even then, only at the cost of strong pressures on the profit margins.

The machine-building industry has managed during the same period to maintain its market share at 36 per cent, which represents a mere 1 per cent less than at the beginning of the 1970s.

On the other hand, the Austrian exports during the

1968-78 period rose at an impressive annual rate of 8.1 per cent, more quickly than either the OECD or the world-wide exports. However, the clash of interests split not only the industry as a whole but even selected branches, depending on the export share and the content of imported products. Some observers regard what is called a "bearable" level of low-cost or high-technology imports as an important impulse to the emergence of new industrial structures and a more competitive labour force and management in Austria.

New outlets

A recent study by the institute for economic research, for example, has pointed out that the "international division of labour" in macro economic terms could produce advantages through pressing down domestic prices and, at the same time, providing Austria with new export outlets in the Third World.

As noted earlier, textiles are faced with the growing competition by imports from low-cost countries. Thus, textile imports in 1980, for example, were Sch 2.3bn higher than the

domestic industry's exports. The situation in the clothing industry is even worse. The leather industry, specifically the footwear producers, also raise alarm. Thus, between 1973-79 the domestic industry's share of the Austrian shoe market fell from 28.5 per cent to 24.5 per cent.

Imports of shoes jumped by 31.4 per cent to 12.6m pairs, representing Sch 2.33bn, in value. Yet the domestic industry is not really interested in restrictions on imports from Italy, the major competitor, because about 70 per cent of the domestic output is also shipped abroad. In any case, Austrian exporters were also doing well, with their sales rising in value by 20.6 per cent to Sch 3bn.

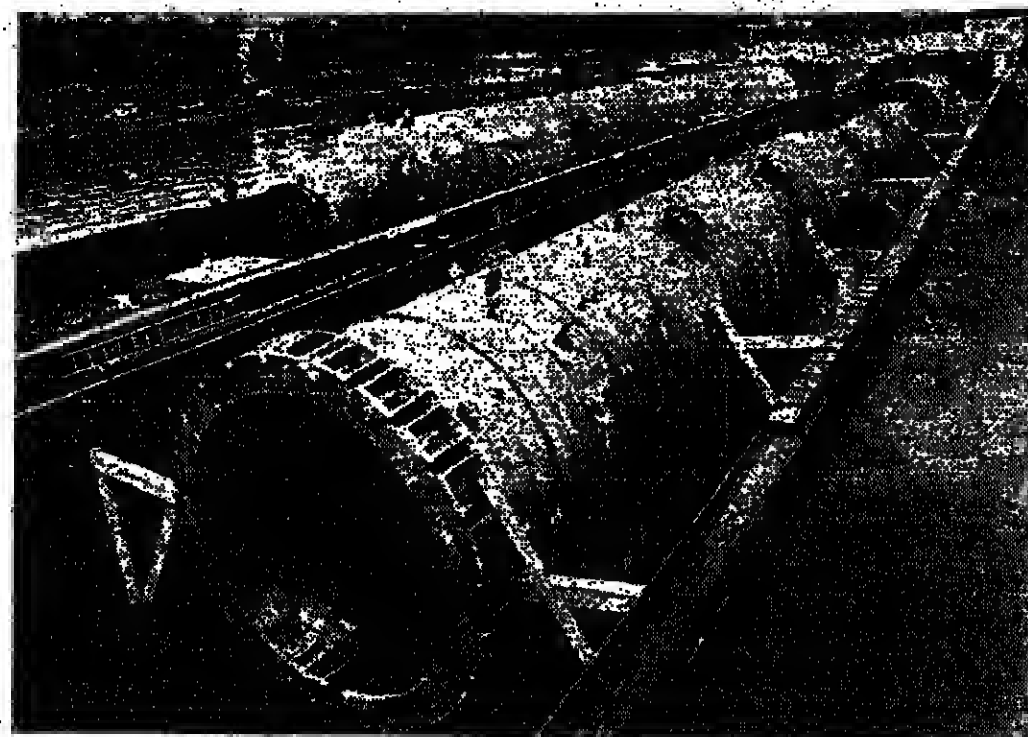
In addition to the textile and leather industries, the study of the Institute for Economic Research pointed to the following branches which are threatened by low-cost imports: timber processing, metal industry as well as certain branches of the chemical, electric, ceramic and food industries. A comparison between the growing market share of the low-cost countries in Austria and the decreasing share of the same industries, in terms of employ-

ment, reveals the danger points.

It would be unfair to accuse the Socialist Government of Chancellor Kreisky of idleness. During the last decade some Sch 13bn were injected into the small and medium firms in the form of Government subsidies. The Federal State provides a 10 per cent investment grant for the purchase of new machinery in the textile and leather industries and similar subsidies are also provided for the pulp and paper plants.

Nevertheless, critics point out that the steadily increasing budget deficits and rising taxes, as well as other discriminatory measures, have combined to weaken the industry's underlying financial basis. Economic experts speak already about a process of "de-industrialisation," with ominous prospects for the future.

A major study, compiled by the Institute for Economic Research, calls for a new wave of qualitatively different industrialisation. The point is that Austria has already caught up with the industrialised West and, in terms of per-head social product, has already overtaken Italy, France and Britain. This means also a catching up in terms of labour costs, at the



Voest-Alpine, Austria's nationalised steel and heavy engineering concern, is a major exporter of complete plants. Above: installation sections for a fertiliser plant to be built in Libya.

same time, when many industries still reflect the time of the cheap labour costs.

The study calls for a much greater attention to be paid to industry-oriented services such as engineering, consulting and marketing. Energy costs should also be reduced since they are one-third higher than those in the even more industrialised Switzerland.

Expenditures on research and developments should also be steeply increased. It is stressed

that research and development expenditures in the Austrian electricity industry are only \$40 per employee, as against \$140 in the European Community.

The share of industrial investments has fallen to 13 per cent of the total investments. The industrial growth rate also shows a marked slowing-down, from 5.9 per cent per annum in 1966-73 to 3.6 per cent in 1973-1979. Thus, industrialisation must be linked with large-

scale efforts aimed at redeployment and modernisation of Austria's industrial potential.

The authors of the study stress, however, that the trend towards a growing current account deficit is primarily due to insufficient exports rather than to increased imports.

In other words, the 1980s can only be mastered through a more enterprising, innovative and outward-looking approach—and not through narrow-minded protectionism.

A battle among sportsgear manufacturers

PERHAPS IN no other country were the Winter Olympic Games at Lake Placid, last February, followed so attentively and so closely as in faraway Austria. The fact that this year both the men and women downhill champions were Austrians (namely, Leonhard Stock and Annemarie Moser-Proell) sparked off here an impassioned debate as to whether—and to what extent—these successes also give boost to sales of the same brand of skis and gear which the champion uses.

As the Austrian ski and winter sports-gear industry is estimated to spend some Sch 100m annually on training and managing Austrian and foreign skiers during the season, most observers see some links between the sporting and the sales successes.

As some 1.3m Austrians, out of a total population of 7.5m, are said to be engaged in winter sports—from Chancellor Bruno Kreisky and his ministers to the innkeepers in the Tyrol—it is no wonder that national prestige and sales of the ski industry are inextricably linked.

The Federal Economic Chamber has given subsidies since 1966 to the tune of Sch 48m for the Austrian Ski Federation and ski pool. If one adds the clothing and coats for sportsmen and women, the costs of the erection of the special stands and pavilions, it is estimated that the chamber has spent, within a decade, about Sch 80m on sports promotion.

The winter sports-gear industry is a major economic branch in Austria. It has an annual turnover of over Sch 1bn. The ski industry claims a combined production staff of 4,600 and there are some 250 firms engaged in the manufacturing of winter sports gear, ranging from skis to boots and bindings.

The ski industry also profits from Austria's reputation as a tourist country par excellence with foreign exchange receipts from holiday-makers accounting for 38 per cent of the intake from exports of goods and services.

The Austrian ski industry last year produced 3.2m pairs of alpine and cross-country skis and exported 2.9m pairs, worth Sch 1.7bn.

Key markets

Austria's most important markets are the Federal Republic of Germany, the U.S. and Switzerland. There is a pronounced trend towards cross-country skis. The ski industry world-wide last year produced 6.6m pairs of alpine skis and 4.5m pairs of cross-country skis. The Winter Olympic Games directly affected sales chances in the U.S. and Canada. Though Austria is still "the number one" in the North American ski league, with one in three quality skis imported by the U.S. originating in an Austrian plant, there is a downward trend concerning relative market shares.

Thus, French producers have managed to catch up compared to the beginning of the 1970s when Austrian and French ski exports to the U.S. showed a ratio of five-to-one. By 1978,

the French had increased their sales to 318,000 pairs as against 234,000 pairs of Austrian skis.

The share of the Austrian exporters sank in terms of value from 49 per cent of the U.S. exports in 1971 to 36 per cent in 1977 and 28 per cent in 1978.

The Austrians have managed to maintain their pre-eminent position also in Canada. Exports totalled 154,000 pairs accounting for 24 per cent of the aggregate Canadian imports of skis while the French sold 115,000 pairs. Though sales dropped by 14 per cent in volume, in value terms they recorded an increase of 3 per cent. It remains to be seen whether the success at Lake Placid will produce a sustained upward trend.

Novel situation

However, Austrian newspapers point out that surplus capacities, large stocks and falling prices have combined to create a completely novel situation for an industry long accustomed to permanent growth.

Thus, during the last 18 months, nine major producers abroad have closed their plants with an aggregate capacity of 400,000 pairs of skis per annum. It is estimated that the growth of sales in the 1980s will be only a modest 2 per cent annually.

In Austria, for example, sales during the last winter season dropped by an estimated 5 to 10 per cent. As a result of sharp competition and despite the nominal adherence to a ski cartel, some 40 per cent of the sales are below what are called "normal" prices.

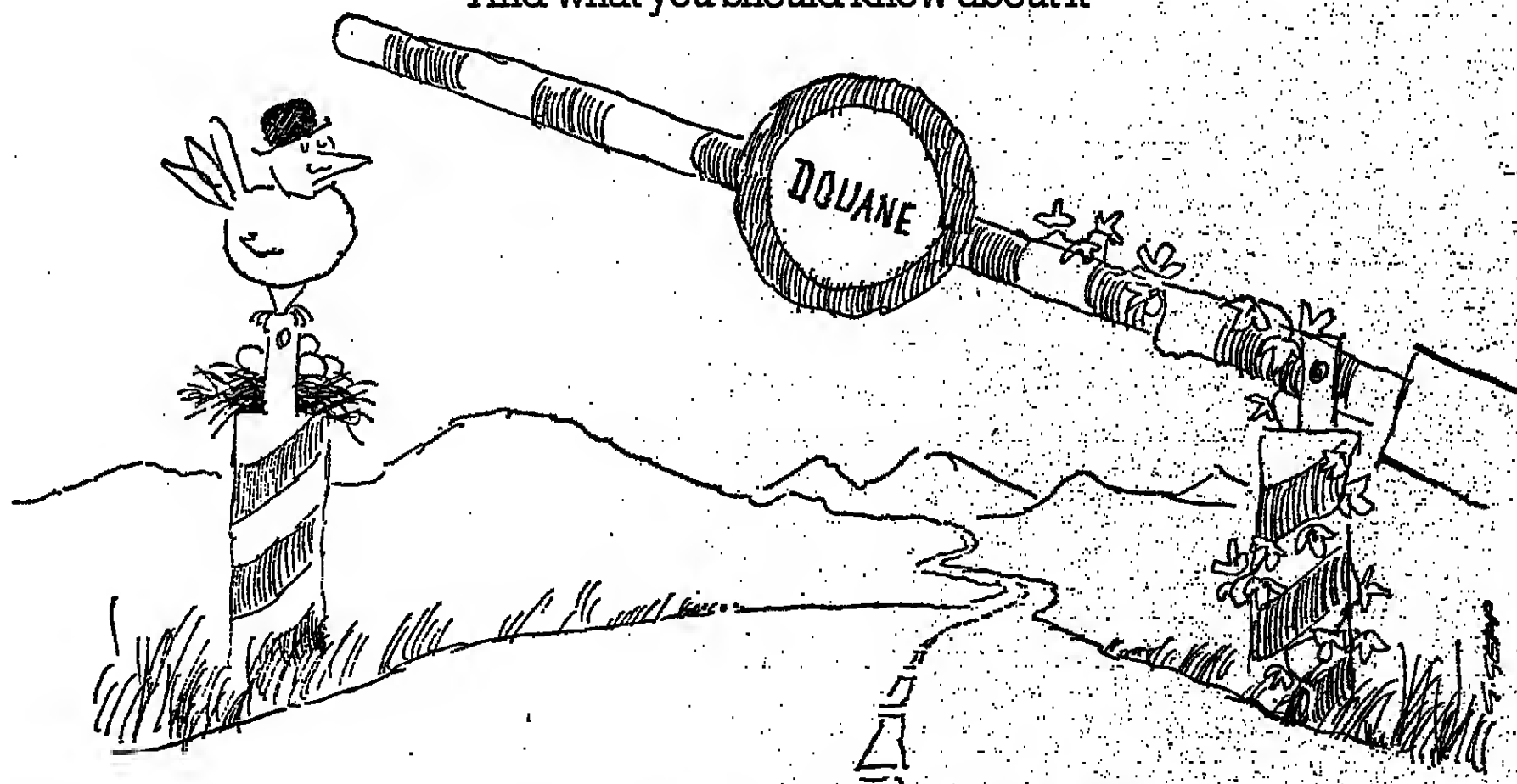
Opinions are split over the market trends. At any rate, Austrian producers, such as Blizzard, which had earlier planned to erect production plants in the U.S., have now shelved such ambitious projects. The keener competition, both at home and abroad, is expected to lead to some mergers in the near future. For the time being, the largest Austrian producer is Fischer, with 880,000 pairs of skis a year, followed by Blizzard, 850,000. Other producers include Atomic, 700,000; Enkel, 620,000; Kastle, 520,000. However, in November, 1979, Atomic acquired the full control over the French company, Dynamic, which had an annual output of 200,000 pairs.

In the important field of ski boots, Dachstein is the leader with a million pairs representing sales worth Sch 330m a year, followed by Koflach with 510,000 pairs, and Kastinger with 250,000 pairs. The latest reports indicate also a trend towards tennis racquets. Fischer, for example, seeks to increase its capacity from 170,000 to 210,000 racquets a year; and Kneissl from 51,000 to 81,000.

It seems, diversification and mergers, combined with a more aggressive marketing strategy, will, in the end, be more important than merely sporting successes for the future of this important industry.

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42nd Century Fund, Inc.	11/12	214.6	0.436	405					
43rd Century Fund, Inc.	11/12	214.6	0.436	405					
44th Century Fund, Inc.	11/12	214.6	0.436	405					
45th Century Fund, Inc.	11/12	214.6	0.436	405					
46th Century Fund, Inc.	11/12	214.6	0.436	405					
47th Century Fund, Inc.	11/12	214.6	0.436	405					
48th Century Fund, Inc.	11/12	214.6	0.436	405					
49th Century Fund, Inc.	11/12	214.6	0.436	405					
50th Century Fund, Inc.	11/12	214.6	0.436	405					
51st Century Fund, Inc.	11/12	214.6	0.436	405					
52nd Century Fund, Inc.	11/12	214.6	0.436	405					
53rd Century Fund, Inc.	11/12	214.6	0.436	405					
54th Century Fund, Inc.	11/12	214.6	0.436	405					
55th Century Fund, Inc.	11/12	214.6	0.436	405					
56th Century Fund, Inc.	11/12	214.6	0.436	405					
57th Century Fund, Inc.	11/12	214.6	0.436	405					
58th Century Fund, Inc.	11/12	214.6	0.436	405					
59th Century Fund, Inc.	11/12	214.6	0.436	405					
60th Century Fund, Inc.	11/12	214.6	0.436	405					
61st Century Fund, Inc.	11/12	214.6	0.436	405					
62nd Century Fund, Inc.	11/12	214.6	0.436	405					
63rd Century Fund, Inc.	11/12	214.6	0.436	405					
64th Century Fund, Inc.	11/12	214.6	0.436	405					
65th Century Fund, Inc.	11/12	214.6	0.436	405					
66th Century Fund, Inc.	11/12	214.6	0.436	405					
67th Century Fund, Inc.	11/12	214.6	0.436	405					
68th Century Fund, Inc.	11/12	214.6	0.436	405					
69th Century Fund, Inc.	11/12	214.6	0.436	405					
70th Century Fund, Inc.	11/12	214.6	0.436	405					
71st Century Fund, Inc.	11/12	214.6	0.436	405					
72nd Century Fund, Inc.	11/12	214.6	0.436	405					
73rd Century Fund, Inc.	11/12	214.6	0.436	405					
74th Century Fund, Inc.	11/12	214.6	0.436	405					
75th Century Fund, Inc.	11/12	214.6	0.436	405					
76th Century Fund, Inc.	11/12	214.6	0.436	405					
77th Century Fund, Inc.	11/12	214.6	0.436	405					
78th Century Fund, Inc.	11/12	214.6	0.436	405					
79th Century Fund, Inc.	11/12	214.6	0.436	405					
80th Century Fund, Inc.	11/12	214.6	0.436	405					
81st Century Fund, Inc.	11/12	214.6	0.436	405					
82nd Century Fund, Inc.	11/12	214.6	0.436	405					
83rd Century Fund, Inc.	11/12	214.6	0.436	405					
84th Century Fund, Inc.	11/12	214.6	0.436	405					
85th Century Fund, Inc.	11/12	214.6	0.436	405					
86th Century Fund, Inc.	11/12	214.6	0.436	405					
87th Century Fund, Inc.	11/12	214.6	0.436	405					
88th Century Fund, Inc.	11/12	214.6	0.436	405					
89th Century Fund, Inc.	11/12	214.6	0.436	405					
90th Century Fund, Inc.	11/12	214.6	0.436	405					
91st Century Fund, Inc.	11/12	214.6	0.436	405					
92nd Century Fund, Inc.	11/12	214.6	0.436	405					
93rd Century Fund, Inc.	11/12	214.6	0.436	405					
94th Century Fund, Inc.	11/12	214.6	0.436	405					
95th Century Fund, Inc.	11/12	214.6	0.436	405					
96th Century Fund, Inc.	11/12	214.6	0.436	405					
97th Century Fund, Inc.	11/12	214.6	0.436	405					
98th Century Fund, Inc.	11/12	214.6	0.436	405					
99th Century Fund, Inc.	11/12	214.6	0.436	405					
100th Century Fund, Inc.	11/12	214.6	0.436	405					

[illegible][illegible][illegible][illegible][illegible][illegible]

Abney Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, E.C.4.

Equity Fund	42
Equity Acc.	
Property Fd.	1
Property Acc.	
Selective Fund	
Convertible Fund	150
Money Fund	
Prop. Fd. Ser. 4	
Misc. Fd. Ser. 4	

[illegible]

Albany Fund Management Limited
P.O. Box 73, St. Helier, Jersey. 0534
Albany Fd. (C) 100320 135.31
Net asset value June 27

Alexander Fund
37, rue Notre-Dame, Luxembourg.
Alexander Fund 100330 24
Net asset value June 9.

Allen Harvey & Bass Inv. Mgt. (C)
1 Charles Cross, St. Helier, Jy. C.I. 0534

AHR Dollar Inc.Fd.	US\$28.26	71.74		
AHR Euro Ind.Fd.	US\$29.26	71.66		
Alliance International Dollar Reserve				
ACI:AGM1	33.9 High	Industria WCL	40	
Daily Sett:	June 13 00.00228	(9.1%)	P	
P.O. Box 284	39.9	(K.L.)	Serv	
East & Ind. Tel.ICV	0118.0		125.0	
Gert.Son	12.00	High	of S.A.	10.0
Daily Settlement			111.2	+0.6
Sterling Fd.				
Doming on Wed.				
Bank of America International S.A.				
35 Boulevard Royal, Luxembourg S.D.				
Widestreet Income	US\$113.7	113.74	+2.8	
Swiss Bank Corp.	US\$100.0	100.00	-1.0	
Banque Paribas Lombard				
2, Rue De la Republique B 1000 Brussels				
Rental/Fee	US\$276.2	60.28	+0.52	

Continued on previous page

MINES—Continued

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25	34	Amal Nigeria 20-	25	16.0	-
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[illegible]

235 130 Messina RO.50 ... 175mq10c| ♣

Miscellaneous						
180	78 1/2	Anglo-Dominion	180	+20	—	—
97	56	Barynia	57	-3	—	—
17	12	Burma Mines 10p	15	—	0.62	1.1
502	330	Cons. Murch. 10c.	320	—	2400.00	1.8
180	135	Hi Hemerion 10c.	152	—	—	—
585	365	Northgate C51	405	+5	15.0	3.2
443	327	R. 42	327	—	—	—
93	33	Robert Mines	23	—	—	—
58	26	Sabina Inds. C51	30	-1	—	—
50	44	TSWGM 10p	50	+4	—	—
650	411	Tara Expts. \$1..	460	+25	—	—

NOTES:

Unless otherwise indicated, prices and net dividends are in pence per share. Dividend cover is calculated as the ratio of dividends to earnings. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/E ratios are calculated on a distribution basis, earnings per share being computed on profit after tax and non-recurring items. Dividend cover is calculated on a distribution and unlevered ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on a distribution basis. Covers are based on "minimum" distributions, which compares gross dividend costs to profit after taxation. "Adjusted" covers are based on the ratio of dividends to profit after taxation and non-recurring items. "Accepted" profit/losses are those accepted by the Inland Revenue. "Adjusted" yields are based on mid-price prices, are gross, adjusted to a 30 per cent net and allow for value of declared distribution and tax.

- ***Tap Stock.**
- **Highs and Lows** marked thus have been adjusted to allow for late day trading.

- ⚡ Issues of cash.
- ⚡ Interest since increased or resumed.
- ⚡ Interest since reduced, paused or deferred.
- ⚡ Tax-free to non-residents on application.
- ⚡ Figures or report awaited.
- ⚡ Unsettled security.
- ⚡ Price at time of suspension.
- ⚡ Indicated dividend after pending scrip and/or rights issue:
 - ⚡ relates to previous dividends or forecasts.
- ⚡ Merger bid or reorganisation in progress.
- ⚡ Not comparable.
- ⚡ Same intrinsic: reduced final and/or reduced earnings, indicated.
- ⚡ Forecast dividend; cover on earnings updated by latest in

† Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividend.

* Cover does not allow for state taxes which may also have to be covered to obtain a future date. No P/E ratio usually provided.
 Excluding a final dividend declaration.
 * Regional price.
 * No par value.
 * Yield based on assumed Treasury Bill Rate stays unchanged in history of stock. A Tax free. If Figures based on prospectus or official estimate. C. Cents. D. Dividend rate paid or payable on full capital; cover based on dividend on full capital. E. Redemption
 F. Flat yield. G. Assumed dividend and yield. H. Assumed dividend yield after scrip issue. I. Payment from capital sources. J. K. In Interim higher than previous total. L. Rights Issue per share. M. Earnings based on preliminary figures. N. Dividend and yield per share.

dividend, P/E ratio based on latest annual earnings. u-Four dividend; cover based on previous year's earnings. v-Tax free

30p in the C, W. Yield allows for currency clause. Δ Dividend and based on merger terms. Δ Dividend and yield include a special payment. Cover does not allow for special payment. Δ Dividend and yield are pretax and based on special payment. Δ C. Figures based on pretax price, F. Dividend and yield based on prospectus or other official estimates for 1979-80. Δ Assumed dividend and yield after corporate and/or rights issue. Δ Dividend and yield based on prospectus or other official estimates for 1980-81. K. Figures based on prospectus or other official estimates for 1979-80. M. Dividend and yield based on prospectus or other official estimates for 1980. Δ Dividend and yield based on prospectus or other official estimates for 1979. P. Figures based on prospectus or other official estimates for 1978-79. Δ F. Figures assumed. Δ Dividend noted to date.

Abbreviations: of ex dividend; ex scrip issue; ex rights; all; ex capital distribution.

REGIONAL MARKETS					
The following is a selection of London quotations of shares presently listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are also quoted on the Irish exchange.					
Albany Inv. 20p	29			IRISH	
Bernam	17			Cum. 9% 80/82	589½
Solihull Estl. 50p	415	-		M. 6% 80/82	179½
Clover Cofr.	60			Pie. 13% 77/82	154
Craig & Rose Cl.	118½			Alliance Gas	45
Fife Forge	32½			Airtel	360
	322				

Carroll P...	578
Clonidine	118
Concrete Prods.	75

I.B.M. Sum. 21	187	+2	Heinz Group	23
Pearce (C. H.)	455		Ins. Corp.	245
Peel Mills	48		Irish Ropes	55
Swift, Refrigerator	103		Jacobs	35
Sindell (Wm.)	143	-5	T. M. G.	75
			Unicare	95

OPTIONS

3-month Call Rates

Industrials	1.5	1.25 (U.S. Treasury
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A. Brew	T	Imms	612	Vickers
BOC Int'l	6	I.C.I.	14	Woolworths
BSR	40	Imvack	4	

Baraboo	8	LaSalle	15	Property
Barracks Bank	8	Legal & Gen.	15	Bril. Land
Beecham	30	Leif Service	20	Cap. Comm.
Bell	30	Life Savs Bank	20	Land & Sess.
Bells	30	Life	20	Middle West
Boats	15	London Bank	17	Peachey
Boaters	20	Lucas Inds.	17	Samm'l Props.
B.O.T.	15	Macmillan	15	Town & City
Brown (A.)	15	Marks & Spencer	26	
Burton 'A'	30	Mitford Bank	26	
Butcher	15	N.E.	15	
Courtauld	15	N. West. Bank	27	Bril. Petroleum
Debenham	15	P. & O. Dtd.	27	Burnham Oil
Deans	15	Plessey	22	Chertishall
Dingle	75	Reed Elect.	14	KCA
East Star	15			

F.N.F.C.	24	R.H. M.	42	Primer
Gen. Accident	21	Rank Org.	15	Shelf
Gen. Electric	30	Reed Intl.	16	Tricentral

Gasco	24	TSR	2	Unicom	2
Grand Met	15	Texas	2	Unicom	2
G.U.S. 'A'	34	Thorn	23	Unicom	2
Guardian	23	Trust Houses	12	Unicom	2
G.W.N.	23	Trust Investments	23	Unicom	2
Hawker Siddeley	23	Unilever	20	Unicom	2
House of Fraser	23	U.D.T.	54	Unicom	2

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 36

**This service is available to every Company dealt in on the
Exchange throughout the United Kingdom for a fee of**

Exchanges throughout the United Kingdom for a fee of
per annum for each security

